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World News

UN adopts tough line on sanctions against Iraq

Sanctions must be maintained against Iraq as long as President Saddam Hussein fails to comply fully with United Nations ceasefire terms, the Security Council agreed today. During the first full-scale review of the situation 60 days after the truce ending the Gulf war went into effect, western members of the council voiced concern that Iraqi forces might be preparing an offensive against Shia Muslim civilians who have sought refuge in the south of the country.

Theron radio said that 200,000 Iraqi troops were preparing an all-out offensive against hundreds of thousands of Shia refugees. Page 5

Mubarak warns Shamir: Egypt's president Hosni Mubarak accused Israeli prime minister Yitzhak Shamir of undermining current Middle East peace efforts and described his attitude as "shocking". Page 5

Major in Europe move: British prime minister John Major confirmed that he expected to sign a compromise deal on a single European currency but offered the anti-Federalist wing of his party some tough words on the pace of integration. Page 6; EC legal stakes, Page 4

'Death blow' to apartheid: The South African government presented a bill which it said would deal a "death blow" to apartheid by repealing the Population Registration Act, the last remaining pillar of apartheid. Buthe denies arms allegations. Page 6

Civilians shot dead: Indian security forces shot dead 17 civilians in central Sri Lanka after an attack by secessionist militants, witnesses said. Indian election resumes. Page 5

US-Soviet nuclear talks: The White House said there was little chance of reaching a US-Soviet pact to cut long-range nuclear arsenals before midsummer, but officials insist there is no link between those talks and Mikhail Gorbachev's appeals for economic aid. Moscow pressed to build private sector economy. Page 18

No cut in UK rates: The Bank of England quashed market hopes of an early cut in UK interest rates even though official figures showed a drop in the rate of underlying inflation. Page 18

Call for special powers: Poland's president Lech Walesa has called on parliament to give the government special legislative powers for a year to "regulate economic matters". Page 4

Spanish targets bombed: Bombs rocked Spanish targets in the northern Italian cities of Milan and Bologna, injuring four policemen and causing heavy damage.

Volcano warning: Mount Unzen in southern Japan spewed out more scorching volcanic gases, ashes and rocks, and scientists warned the mountain might be building up for a gigantic explosion.

French air strike: Air travellers in Europe face cancellations and delays today because of a 24-hour wage strike by French air traffic controllers. TWA staff in Heathrow strike threat. Page 7

Work of art 'too ugly': The Dutch parliament told an Italian-Greek artist to take back his modern sculpture celebrating democracy because it was too ugly. A majority of members of parliament decided that Janis Kounellis' cast iron edifice topped with a pile of coal failed dismally as a work of art.

Business Summary

European stocks hit new highs for year

EUROPEAN STOCKS hit new highs for the year, helped by Wall Street's firm opening. In Paris, foreign buying also helped push up the CAC 40 index by 38.96 to a new 1991 high of 3,575.51. Frankfurt also reached a new high, with the DAX closing 10.98 stronger at 1,735.82.

FT-SE 100 Index

London stocks neared record levels, gaining 30.7 points to a FT-SE 100 share index close of 2,542.6. Shares were boosted by persistent hopes of an early cut in UK base rates - a prospect dampened by the Bank of England. Bourses, Page 42; London stocks, Page 31; Lex, Page 18; Hopes of early UK rate cut dashed, Page 18

TATE & LYLE of the UK, world's biggest sweeteners group, looks set to modify its hostile AS325m (£245m) bid for Bunge's Sugar of Australia after the country's foreign investment authorities approved the offer. Page 18; Institutional battle ahead, Page 29

LVNH Moti Hennessy Louis Vuitton, French luxury goods maker, said it would buy up 23.4m shares in UK drinks group Guinness to restore its stake to 24 per cent, the level agreed in their 1987 takeover. Page 18

VOLVO, Swedish carmaker, launched a new range of big family cars - the result of a SEK19bn (\$2.5bn) investment. Page 19

NIPPON Credit Bank of Japan is set to launch a new company in China in partnership with Chinese and South Korean financial concerns. Page 2

TELECOM Corporation of New Zealand has forecast with annual profits of NZ\$332m (\$195m). The company, owned by Ameritech and Bell Atlantic, was poised to release details of its public flotation. Page 23

WINTERHUT, Swiss insurance group, saw net earnings drop 9.5 per cent last year to SF\$266.6m (\$157m) but expects profits to grow again in 1991. Page 20

MEXICO has sold the first of 18 state banks to be privatised. A Mexican financial group paid \$28.7m for Multibanco Mercantil. Page 24

IMRY Group, taken private at the height of the property boom in a highly leveraged \$14m deal, agreed a restructuring package. Page 19

GLAXO HOLDINGS, Britain's biggest pharmaceuticals group, is poised to sell a penicillin plant in northern England to Taiwan's China Synthetic Rubber Company. Page 18

FYFES, Irish-based fruit importer, is launching a rights issue aimed at raising £80m (\$80.3m) for acquisitions. Page 26; Lex, Page 18

SD-Scicon, independent UK computer services company fighting a bid from Cray Electronics, received a 45p share all cash counter-offer from General Motors subsidiary, Electronic Data Systems, valuing SD-Scicon at \$118m. (S\$72.2m) Page 19; Lex, Page 18

Bundesbank warns over speed of move to single currency

By David Marsh in Frankfurt

GERMANY further toughened its stance on European monetary union yesterday as Mr Hans Tietmeyer, vice-president designate of the Bundesbank, issued an uncompromising call against premature moves to abandon sovereignty over the D-Mark.

Germany needed to maintain "manoeuvring room" and an "independent" policy on the D-Mark at least for several years because of the "difficult situation" after German unity, Mr Tietmeyer told an economic seminar in Frankfurt.

Although more outspoken than officials in Bonn, Mr Tietmeyer's views are broadly in line with the position taken by Mr Helmut Kohl, the German chancellor, and Mr Theo Waigel, the finance minister.

At present director for international monetary affairs at the central bank, Mr Tietmeyer is emerging as the country's pivotal figure over ECU negotiations in the wake of the resignation of Mr Karl Otto Pöhl, the Bundesbank president. Mr Tietmeyer takes over as deputy to Mr Helmut Schlesinger when Mr Pöhl steps down at the end of next month.

Mr Tietmeyer warned against "political pressures" from EC partners trying to push Germany into early decisions on a single European currency. He criticised British and French refusal so far to make their central banks independent - although he did not mention France by name.

He said the problems of restructuring the east German economy, partly exemplified by the German trade deficit in April, increased the Bundesbank's responsibilities to maintain the D-Mark as the strong "anchor" in Europe.

He said he remained in favour of European economic integration. But he warned that Germany would, through a move to ECU, "lose a lot, namely one of the most successful and best monetary institutions in the world".

By spelling out what Germany would lose through ECU, Mr Tietmeyer yesterday breached an unwritten taboo among German politicians and officials, who normally talk of monetary union in terms of what Europe would gain.

Although Mr Pöhl and Mr Tietmeyer agree on the basic

stakes involved in ECU, Mr Tietmeyer's outspoken public comments underline the fact that the central bank is likely to become even less conciliatory under the new leadership.

ECU involved a transfer of monetary sovereignty towards Europe, Mr Tietmeyer said. By contrast, under German monetary union last year, the Bundesbank extended its sovereignty to the territory of the former East Germany.

In another departure from usual rhetoric, he said that "German unity should not slow down the European unity process. But it should also not speed up the tempo."

Taking issue with arguments sometimes heard in France, he said it was "problematic" for other countries to urge German support from "ambitious currency projects" in return for their help in securing German reunification.

Mr Tietmeyer also said that formation of a common pool of capital in a united currency area would enable countries with high budget deficits to finance shortfalls free of interest rate and currency risks. Major to compromise, Page 6

Slower Japanese growth raises rate cut speculation

By Stefan Wagstyl in Tokyo

THE JAPANESE financial authorities yesterday indicated that the country's economic growth was starting to slow, a trend which should allow them greater scope in interest rate policy.

With growth still at a high level, however, the signals were that an early and substantial cut in rates may not occur. This in turn could stem a decline in the yen, which has weakened against the dollar recently.

Officials have been concerned that the yen's fall might increase the risk of inflation. It could also fuel exports, leading to renewed tension with the US and Europe over trade imbalances.

An influential survey published yesterday by the Bank of Japan showed that domestic business confidence had declined slightly since the end of the Gulf war, although it remained high.

The findings of the quarterly economic report were downed in a speech delivered yesterday by Mr Yasuhiro Mieno, the central bank governor, who said the recent deceleration in growth was a positive development.

He added that the Bank of Japan would continue to monitor

the effects of past monetary policy - suggesting that he would not raise rates in the immediate future.

Earlier yesterday, Mr Ryutaro Hashimoto, the finance minister, said the economy "remained strong but was slowing".

Mr Mieno was addressing the annual meeting of the Japan Bankers' Federation, went on to note that prices had held generally stable but that the future trend of inflation required vigilance.

In London trading the yen closed at 141.1, a fall of 0.3 against the dollar.

The Tokyo stock market ended modestly firmer. It had declined steadily in recent weeks as investors' hopes of an imminent relaxation in monetary policy were undermined by continuing evidence of strong growth in the economy.

Yesterday the Nikkei average of 225 leading shares rose 64.21 to 24,662.53.

Mr Kim Schoenholtz, an economist in Tokyo with Salomon Brothers, the US investment bank, said the Bank of Japan report gave the central bank considerable leeway in deciding when to cut rates.

Mr Takayuki Tanaka, an economist with Long-Term Credit Bank, said the Official Discount Rate might be cut in

the next month or two - but only by half a point.

A new bank survey showed that the index of confidence among manufacturing companies fell to 36 from 39 at the time of the last survey in February.

Small and medium-sized companies reported a somewhat greater decline in confidence because they are more exposed than big groups to the twin pressures of high interest rates and labour shortages.

For small and medium-sized manufacturers, the index fell to 25 from 29, and for non-manufacturers to 23 from 25.

Companies also increased their capital spending plans since the last survey. Large groups now plan to raise capital spending in the financial year beginning April by 7.1 per cent, compared with 1.1 per cent at the time of the February survey. Small and medium-sized companies forecast a 6.3 per cent decline - a sharp improvement on the 14.9 per cent cut predicted in February.

The report showed that concern about shortages of labour and credit has eased very slightly since February, a sign of economic slowdown. But the differences were so small that central bank officials warned against exaggerating their importance.

Bush bullish over US economy

By Peter Riddell, US Editor, in Washington

PRESIDENT Bush is "bullish" about prospects for the US economy, he told businessmen yesterday. While some sectors were still sluggish, on the whole a turnaround "appears to be in the making", he added.

There was reason to be optimistic, he said. "This recession has lasted perhaps longer than we would have thought. It hasn't been as deep as many had predicted. But I think things are looking much more promising."

Mr Bush was speaking as the US reported its first quarterly current account surplus for nearly nine years. The surplus of \$10.2bn for the first quarter followed a deficit of \$2.4bn in the previous three months. But it is exceptional, as a result of

\$22.7bn in contributions from foreign governments to the US costs of the Gulf war. Foreign countries have pledged a total \$53.5bn to finance the US-led coalition ousted Iraq from Kuwait.

Even ignoring that item, the US trade position has improved because of a strong export performance and the impact of the recession in imports. The US's merchandise trade deficit was \$18.4bn in the January-March quarter, down from \$27.7bn the previous quarter.

But few economists expect the US to become a creditor nation any time soon, faced with a huge import bill for petroleum products and heavy imports of manufactured goods, especially from Japan.

They expect the trade gap to resume its upward climb as the economy improves, since that is likely to mean businesses and consumers will buy more foreign-made goods.

Mr Bush noted that the May labour market report had shown more than a half of all industries had added to their payrolls last month. Industrial production has been rising, while the index of leading economic indicators had increased for three months. While not wanting to sound "euphoric" because some people are still hurting in this country, he argued "things are beginning to move forward."

Editorial comment, Page 16
Bank reform law, Page 3



Former Soviet premier Nikolai Ryzhkov feels the strain during campaigning for Russia's presidential elections

Russians vote their way into history

By John Lloyd and Leyla Boulton in Moscow

THE Russian millions who vote today for the president of their republic might be forgiven for failing to appreciate the historic moment of the occasion.

The campaign itself has been short on razzle. Only Mr Boris Yeltsin, leader of the Russian parliament and the front runner, has stirred excitement and large crowds.

However, even he has not done much of that, for he has said he is not really campaigning, merely doing his business as parliamentary leader which has happened to take him round a number of large Russian cities.

For Mr Vadim Bakatin, the former interior minister, and Mr Nikolai Ryzhkov, the former prime minister, a couple of thousand is a big crowd and to have received polite applause is to have done well.

Only Mr Yeltsin and Mr Ryzhkov have the use of rented aircraft; the others must submit themselves to the vagaries of the state airline Aeroflot - which has meant a number of scaphous appearances in airport lounges.

As in the west, television has carried much of the debate. Continued on Page 18

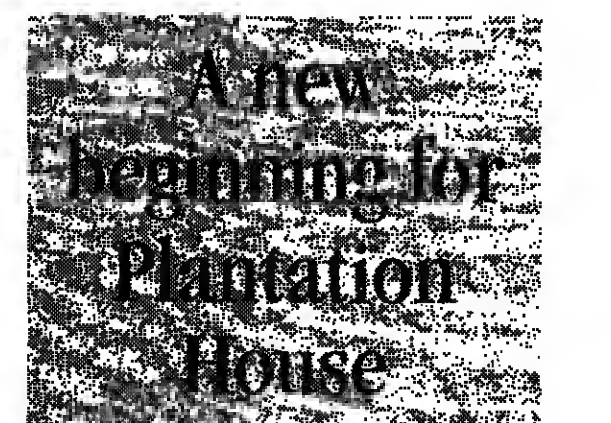
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The British Land Company PLC today welcomes the Rt. Hon. The Lord Mayor of London, Sir Alexander Graham, to unveil a plaque to commemorate the completion of the renovation of Plantation House, Fenchurch Street - the City's best-known office address.

Plantation House first opened as home to the City's Rubber and Commodity Exchange. Today it is host to tenants whose businesses range from insurance and shipping to international metal broking and worldwide finance.

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AMERICAN NEWS

Sharp criticism over handling of S&L rescue

By Peter Riddell, US Editor, in Washington

THE US federal agency handling the rescue of the savings and loan industry, the largest in history, has been sharply criticised by the General Accounting Office (GAO), a congressional watchdog, for lacking adequate controls over the billions it spends.

Mr Charles Boncher, the comptroller general, in charge of the GAO, yesterday told a congressional committee that the audit of the Resolution Trust Corporation would be delayed several months because financial statements for 1990 were not available until mid-May and because of uncertainties over asset values.

The GAO says the RTC head office "is still unable to track all its assets in receivership or to provide information related to the book value, estimated recovery value, date of sale, sales price, and sale gain/loss on an individual asset basis."

The report is critical of the RTC for insufficient scrutiny of contractors, including not penalising those who do not perform agreed work and inadequate financial controls.

Anticipating such criticism,

Mr Nicholas Brady, treasury secretary, has set up a working group headed by his deputy and the deputy secretary at the Housing and Urban Development Department to "investigate and coordinate" the RTC audit.

The GAO's assessment has already stirred congressional criticism of the RTC. Congressman Henry Gonzalez, the maverick chairman of the House Banking Committee, has described the RTC as "an ungoverned island headed for certain disaster".

Mr Boncher has also warned that \$200-\$250m is the minimum additional funding required for the RTC, in addition to \$90m already approved.

Because of the large amount of property already held by the RTC, the government-owned property market, economic weakness and the RTC's aggressive discounting policy on asset disposals, the GAO says "the best cost estimates for resolving failed thrifts could be significantly understated and unexpected losses on asset sales could dramatically increase RTC's funding needs".

President acts on bank reform law

By Peter Riddell

PRESIDENT George Bush yesterday met congressional leaders to press for comprehensive bank reform legislation in face of strong criticism of the plan by a key House committee chairman.

The full House Banking committee is next week due to consider far-reaching proposals approved by its financial institutions sub-committee. But Congressman John Dingell, chairman of the House Energy and Commerce committee, which has jurisdiction over securities and insurance issues, has said the plan could have "profound negative

effects on our economy." Mr Dingell was mainly responsible for blocking proposals in 1988 similar to the current ones ending the barrier between investment and commercial banking.

While Mr Bush was telling the congressional leaders he wanted legislation approved quickly, Mr Dingell has challenged the desire of Mr Tom Foley, the House Speaker, to have the legislation voted on by the full House by the August recess.

In a letter to Mr Foley, Mr Dingell has said his committee will not have sufficient time to

consider the bill. "This complex and dangerous proposal should not be railroaded through. Though the benefits are slight and hypothetical, the dangers are substantial." He challenged the administration's argument that banks should be given new powers to link with securities, property and insurance businesses.

The administration wants early enactment because the bill provides money to recapitalise the fund which insures bank deposits, fast being depleted by a run of bank failures. One possibility, so far resisted by the Treasury, is

that this might be separated from the broader reform package.

Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, which manages the fund, said yesterday the likely number of bank failures this year might be nearer 440, costing more than \$23bn (£13.5bn), than 340. In the first quarter of 1991, nearly 90 per cent of banks earned profits, though overall earnings fell 8.8 per cent to \$4.7bn, against the same period a year ago. Problems at the loss-making 10 per cent stayed serious, especially with property loans.

Foreign banks 'may reduce US lending'

By Peter Riddell

FOREIGN banks may cut lending to American businesses and local governments as a result of US Treasury proposals, Mr Alan Greenspan, chairman of the Federal Reserve, warned yesterday.

The Treasury has proposed, as part of a comprehensive bank reform plan, that foreign banks wishing to engage in newly authorised activities, such as securities underwriting, would have to set up a separately capitalised US subsidiary, rather than use the capital of their parent.

Moreover, foreign banks wanting to expand in this way would have to conduct all their US banking business through such a subsidiary, including current US branches and agencies.

Mr Greenspan told the House Banking

committee that the change to separately capitalised subsidiaries would impose additional costs without enhancing their safety or soundness. Moreover, this might discourage involvement in the US. "To the extent the proposal may cause a retreat from the commitment of foreign banks to the US market, it may reduce the availability of credit to American businesses and local governments."

These worries were disputed at the same hearing yesterday by Mr David Mulford, Treasury under-secretary for international affairs. He said the Treasury had considered the possibility of a reduction in lending but believed that some of the potential constraints could be alleviated if, for example, a subsidiary transferred

loans that exceeded lending limits back to its parent. The parent could also provide additional capital and make loans itself.

At present lending limits on US branches of foreign banks are based on the consolidated capital of their parents, but the creation of subsidiaries whose capital is measured separately from the parent might, according to Mr Greenspan, "limit the extent to which foreign banks contribute to the depth and efficiency of markets in the US and continue to lend to individual borrowers."

Mr Greenspan warned that foreign banks might be induced to conduct operations in "less costly environments outside the US," while foreign authorities could enact similar curbs on US banks.

Denver, Miami to host professional baseball teams

By Patrick Harverson and Peter Berlin

AFTER SIX years and millions of dollars of campaigning Denver and Miami have been chosen to host two new US professional baseball teams, in what will be the first expansion of the country's national sport since 1977.

The two cities were chosen ahead of four rival bidders - Orlando, Tampa/St. Petersburg (both in Florida), Buffalo in New York state, and Washington DC - by an expansion committee of the National League.

Major league baseball in the US is split into two, the American and the National. The Denver and Miami teams will be competing in the National League when the 1993 season opens.

Although the committee's recommendations have to be ratified by owners of major league baseball teams in California later this week, approval of the new franchises is expected to be a formality. Denver will be the first top-flight team to play in the mountain time zone, while Miami will be the first in Florida.

Both regions represent large, untapped markets for baseball. Denver and Miami were cho-

sen primarily because their bids had the strongest financial backing. The business group behind Miami is led by Mr Wayne Huizenga, owner of Blockbuster Entertainment, the world's biggest retail video business.

Setting up a new baseball team in the US is big business. The two new franchises will each pay a \$86m expansion fee, of which the 12 existing National League clubs will get \$12.3m each and the 14 American League teams \$3m.

The cost of running a baseball club is high, but so are the potential rewards. Major League baseball has a four-year \$1.1bn television contract with CBS and teams are free to negotiate local deals, which for franchises in large urban areas can be worth tens of millions of dollars a year.

Franchises are good long-term investments. The last time the league expanded in 1977 new franchises, including Toronto, cost \$7m. The Baltimore Orioles were sold in 1977 for \$12m and in 1988 for \$76m. Owner Eli Jacobs has said he is thinking of selling them this year. The estimated price tag is \$120m.

BankAmerica in \$6m nature deal

By Anne Dias in Washington

BANKAMERICA, the biggest west coast bank, is to donate \$6m (£3.4m) of its loan portfolio to finance the largest private "debt-for-nature" swap to date - a three-year programme to assist rain forest conservation in Latin America, chiefly Mexico.

Mr Nicholas Brady, US treasury secretary, yesterday called the donation "a new way to accomplish swaps". In the past, debt-for-nature swaps have been undertaken primarily through the purchase of commercial debt by conservation organisations.

The donation is tiny in relation to Mexico's foreign debt, but Mr Brady said he hoped the BankAmerica agreement would encourage other banks to take similar steps.

The debt donation will be channelled through the World Wildlife Fund (WWF) and Conservation International, the environmental group, which in turn will purchase external debt at a discount on the secondary market.

The Smithsonian Institution, the Washington-based organisation involved in pioneering such swaps, will receive \$100,000 to act as adviser.

Conservation International will initially use \$250,000 to

help save Mexico's Selva Lacandona, the largest tropical rainforest in North America. The forest has shrunk by half in 50 years as a result of commercial forestry, pollution from urbanisation and poorly managed agriculture.

In another \$250,000 programme, WWF will help Mexico's environment ministry support environmental education and planning and enforce environmental law in the states of Chiapas and Oaxaca.

Mr Richard Rosenberg, BankAmerica's chief executive officer, said businesses and governments must not be "numbed into inaction by the dimensions" of rainforest destruction.

"A section of the rain forest the size of a football field is destroyed every second of every day, and a species of plant or animal is lost to extinction every 24 hours," he said.

This is the 19th debt-for-nature swap since 1987, when conservation organisations first became aware of the potential for using debt reduction as a means to induce third world governments to protect wilderness areas.

Polish debt-for-nature swap, Page 4

High Speed Telecommunications for Spain in '92. Philips makes Olympic History.



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PHILIPS

Democrats appalled by feuding of stars

By Lionel Barber in Washington

THE DEMOCRATIC party, which is not blessed with an abundance of presidential candidates for next year's election, is wincing with horror and fascination as two of its most promising national figures tear each other apart.

Governor Douglas Wilder of Virginia, the first black to be elected to run a US state, and Senator Charles Robb, another governor of Virginia and former President Lyndon Johnson's son-in-law, have become embroiled in a public row over allegations of caravanning and political sabotage.

The affair turns on allegations that Mr Robb, while governor of Virginia between 1983 and 1986, attended parties where cocaine was consumed and had an affair with a local beauty queen.

Mr Robb has consistently denied the allegations, and accused Mr Wilder of promoting the stories for his own political ends. At one point, the Senator released a four-hour unedited video-tape of an interview with a network TV producer in an unsuccessful effort to kill the story.

In the latest exchange, Mr Wilder accused Mr Robb of releasing a tape of a secretly recorded cellular telephone call made in 1985 when Mr Robb beat a black Republican to win the vacant US Senate seat in Virginia. In the tape, Mr Wilder said the Senator's political career was "sabotaged" because of the rumours about his private life.

Last weekend, Senator Robb's staff confirmed that he had received a Wilder tape which had been sent anonymously. The tape was kept for two-and-a-half years but was destroyed in recent weeks after some of its contents appeared in the press.

The Washington Post gave the caravanning story a further twist yesterday, reporting that a top Robb aide had



Governor Thomas Wilder

sought to pressure a Virginia Republican official to say the Republicans were behind an investigation of the Senator's social life in 1988. The pressure came via threat to reveal the contents of another recorded telephone call.

Federal and Virginia state law make it a crime to record and disclose intentionally the contents of cellular telephone conversations. The Post story strengthened the impression that Senator Robb's staff may have been overzealous in seeking to contain the cocaine allegation.

Governor Wilder, who is considering running for president next year, is due to return from a trade mission to Europe today. He said that Senator Robb's admission that he had held the tape of his conversation for two-and-a-half years was "shocking".

Senator Robb, who is up for re-election in 1994, denied he was responsible for the caravanning and called for a meeting with Governor Wilder to clear the air.

The Virginia state Democratic party is appalled by the feuding, with local party figures issuing warnings that if it continues the Democrats risk becoming a minority party.

EUROPEAN NEWS

Soviet oil workers win 40% pay rise

By Leyla Boulton in Moscow

MR Valentin Pavlov, the Soviet prime minister, yesterday agreed to a 40 per cent pay rise for oil and gas workers who had threatened to disrupt production of the country's main hard-currency-earning export.

Mr Vasily Voryokhin, deputy chairman of the Russian Oil and Gas Workers Union, said that the increase, to be backdated to June 1, would be financed through a cut in the taxation of oil enterprises.

This pay rise is the latest example of the government's tendency to give in to pay demands and stoke inflation, rather than face industrial action and carry out a threat to prosecute strikers in key industries.

The pay rise for workers involved in the extraction of oil and gas will be gradually boosted to total 75 per cent in the fourth quarter of this year, Mr Voryokhin said. The oil and gas workers of Russia, Azerbaijan and the Ukraine had initially demanded a doubling of their pay.

Without explicitly threatening to go on strike, union members had planned to disrupt production by collectively resigning, or by observing regulations which would require shutting down leaky pipelines.

The central government has also promised to invest 500m in hard-currency roubles in the oil and gas industry to renew failing equipment. In addition,

it would devote revenues from 8m tonnes of oil to new capital investment to boost productivity.

The union had initially proposed raising the domestic price of oil from its current fixed low level of Rb570 a tonne to Rb180 in order to finance the pay rise. But the government has been reluctant to do this because of the repercussions it would have for the rest of the economy, which is dependent on cheap oil.

Oil workers earn an average monthly wage of Rb346, while gas workers are paid Rb327 - compared to the national average of Rb280. Since doubling or tripling the price of basic foodstuffs on April 2, the gov-

ernment has been deluged with double- and triple-digit pay demands.

Last month, it agreed to double the wages of striking coal miners on condition they increase productivity. In quick succession, the government awarded a 60 per cent pay rise to air traffic controllers and pilots, minutes before they were due to go on strike.

This was followed by a little-publicised decision to increase the pay of rail workers. Hardly setting an example while the nation is being asked to tighten its belt, deputies of the Soviet parliament voted last week to increase their own pay from Rb500 to Rb800 a month.

BAe starts talks on export of Eurofighter

By Paul Betts in Paris

BRITISH Aerospace has started informal discussions with potential export customers for the new European Fighter Aircraft (EFA) which BAe is developing jointly with Deutsche Aerospace, Alenia of Italy and Casa of Spain.

Mr John Weston, the head of BAe's military aircraft division, yesterday said EFA export orders could double the number of aircraft currently planned for airforces in each of the EFA partner countries.

Although no formal proposals had so far been made by the EFA consortium to possible export customers, Mr Weston said that EFA was expected to turn into "an export success" with interest already expressed by several responsible non-European governments.

UK wins breathing space on harmonisation of VAT

By David Buchan in Brussels

BRITAIN could have several more months to decide whether to veto EC harmonisation of indirect tax rates, under a new compromise acceptable to all its Community partners, European Commission officials said yesterday.

Most EC states insist on legislation to narrow the gap between differing national rates of value added tax and excise taxes, so that the lifting of frontier controls by January 1, 1993, does not send shoppers stampeding into low-tax countries. The UK is alone in contesting the necessity of bringing rates together by legally

binding rules, preferring to see market forces achieve this; but any single EC state can veto EC tax decisions.

The Luxembourg presidency, with UK connivance, proposed at Monday's EC finance ministers' meeting a two-part declaration. First, all 12 countries would state that their standard VAT rate would be no lower than 15 per cent by 1993. Then, 11 of them would commit themselves to turning this intention into legislation, with the UK recording its opposition in principle.

"Everyone was happy with this, but we did not get back to

it on Monday because disagreements over excise prevented a global package deal," said a Commission official yesterday. But, in a bid to end these north-south differences over excise on tobacco and alcohol, Luxembourg is re-convening finance ministers on June 24 - the third time this month - for what Mrs Christine Scrivener, the EC tax commissioner, is calling "the moment of truth."

Britain's moment of truth will come in four months, the EC official said, when a precise legal text on tax rates is ready to be voted on.

Economy under control, says Pavlov

By John Llynd in Moscow

THE decline in Soviet production has been stopped and "the government has the economy under its control", Mr Valentin Pavlov, the prime minister, told the Supreme Soviet in Moscow yesterday.

In a brief report on the economy, Mr Pavlov claimed that his government could stabilise production over the next two or three months. The spring sowing campaign had been relatively successful, he said, and the expected grain harvest was between 205m and 206m tonnes - down from 237m tonnes last year, but far better than recent forecasts of hunger which, Mr Pavlov said, had been made "to cause panic".

He made clear, however, that the economic crisis was still deep, that the partial stabilisation was fragile and that "all will depend on the political situation in the country".

The government had been forced to slash exports, especially of oil, in order to safeguard Soviet production, said Mr Pavlov. Oil exports had fallen by 49 per cent in the current year, oil products by 54 per cent, timber by 45 per cent and ferrous metal by 61 per cent. At the same time, imports had been cut by 45 per cent.

The Soviet Union earned 7.7m hard currency roubles (about £7bn) from exports in the first five months of the year, and paid Rb12.2bn for imports. Arrears for imports amounted to Rb2.5bn. In all, foreign trade turnover dropped by about a third, though Mr Pavlov said it was now beginning to pick up.

He disclosed that only Georgia has not participated in

talks on the anti-crisis measures - though he admitted that the three Baltic states could not agree to sign because the measures were not framed as a treaty between separate states.

He said that the main issue remaining in the talks on the Union treaty was a dispute on tax, with Russia and the Ukraine insisting that they should collect all taxes and duties on 85 per cent of the centre, while the Union government wants to retain separate taxing powers.

New proposals to lower tax rates, designed to "stimulate business growth", were debated by the deputies yesterday. Introducing the changes, Mr Victor Gubarev, a member of the Supreme Soviet's planning and budgetary commission, said "the amendments

testify to the commitment of the cabinet of ministers and the USSR Supreme Soviet to radical market reform".

The new tax regulations raise the minimum income level at which tax must be paid from Rb100 a month to Rb160; reduces the tax rate from 13 to 12 per cent for all earnings below Rb1000; sets the maximum super-tax rate at 30 per cent; and treats all incomes equally, rather than imposing discriminatory rates of up to three times higher on entrepreneurial activity.

The darker side of the market reform was highlighted by a report on the official news agency Tass that experts expected the jobless numbers to rise to 30m in the Soviet Union within an unstated period - with 1m in Moscow alone.

Defence spending cuts in Europe were not expected to affect the overall EFA programme, Mr Weston said. But he conceded that it could reduce the overall number of new fighters ordered by EFA partner countries from an original estimate of between 700-800 aircraft to around 500-600 aircraft.

With additional export orders, total EFA sales are expected to top eventually the 1,000 aircraft mark. Mr Johann Schaffler, deputy chairman of Deutsche Aerospace, said 1,000 was the minimum number of aircraft required to make the EFA programme economically viable.

Despite persisting doubts over the German government's commitment to the EFA programme, Mr Schaffler said the mood had swung increasingly in favour of German participation in the production of EFA.

193 DOWN, 89 TO GO - that is the legislative scorecard on the European Community's barrier-breaking measures, only 18 months before the single market programme is supposed to take effect. In its latest progress report, the European Commission yesterday warned of tough going in the home stretch to end-1992.

Prominent among its complaints are that fiscal and physical barriers to the free movement of goods and people still remain; the Council of Ministers is dragging its feet on investment, shipping and road haulage services; and Italy has not barely half the EC directives on its national statute books.

Just as communist countries

used to have productivity surges towards the end of their annual plan periods, so the pace of Community law-making picks up every six months, as each presidency nears an end. Thus, by the time Luxembourg relinquishes the chair to the Dutch at the end of this month, some 230 single market measures should have won approval, so it is hoped.

The Commission puts itself on the back for churning out no fewer than 282 single market measures by last year, blaming others for legislative delays.

The Strasbourg parliament, which only has real amending power on issues subject to majority votes in the Council, should have been speedier in

dealing with single market legislation that (precisely because of majority voting) could have passed the Council easily.

But it is no longer the key bottleneck because many key remaining issues - tax, removal of internal frontier checks, certain company and labour laws - require Council unanimity. Successive presidency countries are at fault, the Commission says, for cancelling several recent meetings of the general Internal Market Council.

Another black mark for governments, in the Commission's book, is their continuing failure to agree a site for a Community trademark office, as well as to ratify the Community Patent Convention.

Norway plans tax break to help banks

NORWAY'S minority Labour government has proposed tax incentives for some business profits to be made available for the country's troubled banking sector, writes Karen Fosell.

Norwegian companies can make profits from sales of fixed investments such as machinery, where the sales price is higher than the book price. Under the present finance law, such profits would be exempt from tax from 1992, while the remaining 60 per cent could be invested without tax in new bank shares from the second half of 1991. But such shares would have to be held for at least five years.

Mr Sigbjørn Johnsen, the finance minister, said that the proposal was meant to "make it more attractive for Norwegian companies to buy newly issued shares and stocks in the Norwegian commercial and savings banks".

Mr Per Kristian Foss, the head of the opposition Conservative party and chairman of the parliamentary finance committee, said that he expected the new proposal to win wide support among MPs.

But the Norwegian Association of Business and Industry complained that the measures were not sufficient to get the banks out of trouble and

strongly urged other measures to be implemented.

The scheme contains an alternative for the under 60 per cent of deferred profits could be invested from 1992 in newly issued shares or primary capital certificates, and the other half in venture companies.

Norwegian companies' profits on sales of fixed investments have been untaxed in the past, but were due to attract tax under a reform drawn up earlier this year. The tax reform has yet to be presented to parliament.

"There is a strong need to

transfer new core capital to the banks so they can better fulfil their role in society and contribute to growth and employment," Mr Johnsen said.

Norway's banks have suffered huge credit losses for nearly four years. Earlier this year the minority Labour government established a Nkr5bn (\$730m) bank guarantee fund for the sector.

The banks' troubles have been exacerbated by an uphill struggle to meet tougher capital adequacy requirements to be implemented by the Bank for International Settlements and the European Community from the end of 1992.

The situation was critical in Germany last autumn because of the domestic political situation," he said, adding that political attitudes towards EFA had since improved in Germany.

However, Germany, which is contributing DM5bn (\$2.82bn) in the development of EFA, is likely to reduce its overall intake of new fighter aircraft from an original requirement of around 200-250 aircraft to about 160 aircraft.

The UK, which is investing £1.6bn (\$3bn) as its 33 per cent share in the £4.5bn EFA development programme, is expected to require about 250 new advanced fighters.

Lisbon inquiry into TV 'bias'

By Patrick Blum in Lisbon

PORTUGAL's parliament will look into the conduct of the state-owned television network in response to last week's accusations of political bias on the two channels by President Mario Soares.

The ruling Social Democratic Party (PSD), which reacted angrily to Mr Soares's attack against what he claimed was growing government interference in the media, has agreed to the establishment of a parliamentary commission.

President Soares, a former socialist leader, said the two channels' main news and current affairs programmes were

manipulated to minimise the opposition's role.

Such "abuses and irregularities were particularly serious" with a general election due on October 6, he said.

Opposition parties say they are often misleadingly or under-reported while rarely a day goes by without the prime minister, a minister or the government's press spokesman appearing in a report, say.

A survey of television news coverage during May published in yesterday's *Publico*, a respected independent daily newspaper, appears to justify some criticisms.

It shows that Mr Anibal Cavaco Silva, the prime minister and PSD leader, featured in 54 per cent of broadcast time, compared with 17 per cent for Mr Jorge Sampaio, the socialist and main opposition leader.

An analysis of the coverage of parties as institutions showed the socialists with 38 per cent of broadcast time, more than the ruling PSD with 12 per cent. But when all political coverage was tabulated, the analysis showed the government had 263 minutes of coverage compared with 86 minutes for all other parties.

French plea for easier equity financing

By William Dawkins in Paris

BUSINESSES in France say they are seriously short of equity capital and over-reliant on bank debt by comparison with foreign competitors. As a result they have sent the government six tax reform proposals to make it more attractive for businesses to turn to equity finance in place of debt in the hope that some at least may be included in next year's budget.

The proposals, by the Patronat employers' federation, include lighter tax treatment for dividend payments, to narrow the gap with the lower tax rate on profits used for interest payments.

The gap between the two is wider than for France's biggest competitors and as such encourages businesses to take on too much debt, says the Patronat. It is also urging tax incentives for equity raising and better tax breaks for private investors.

Little push from the market will speed Italy's trains

Haig Simonian outlines the long-term overhaul plan for a slow, unpunctual and overcrowded railway

ITALY'S trains may be slow, unpunctual and often grossly overcrowded, but at least they are cheap.

Or they were until a three-stage price increase, begun last November and to be completed later this year, pushes up fares by more than 35 per cent. The increase now in its second phase, has already raised the fare for a return between Rome and Milan to L77,800 (\$35).

At L53,27 per km, that is still good value compared with elsewhere in Europe. Even after the final fare rise, Italian train journeys will cost less than half the European average.

But in Italy the increases, which are part of an overhaul to improve quality, productivity and, eventually, the finances of the Ferrovie dello Stato (FS), Italy's national railway system, run the risk of creating expectations which may not be realised.

For decades, the FS has been a byword for inefficiency, over-staffing and political intervention - not to mention corruption that triggered the mass resignation of its board of directors after revelations of inflated purchasing contracts for bed linen in 1988.

The FS remains a massive gusher of cash subsidies: last year it received L2,557bn in 1989, while direct contributions from the state for capital investment were a further L6,000bn.

For the past year, the task of supervising the planned transformation of the FS into a competitive system has been left to Mr Lorenzo Necchi, a former chemicals industry boss.

Like his predecessor, Mr

Mario Schimberni, former head of the Montedison chemicals group, Mr Necchi carries the title of "special administrator", reflecting the powers with which he must set the railways straight.

Mr Schimberni, who fought a running battle against fractious unions and not always sympathetic ministers, laid the foundations for the more market-minded organisation now emerging.

The traditional problem for the FS has been that most of its revenue comes from just a tiny proportion of its network, saddling it with huge fixed costs. Even today, 20 per cent of the network accounts for 80 per cent of traffic.

So while a blizzard of workforces runs barely-used lines in some parts of the country, severe bottlenecks based on inadequate infrastructure throttle demand elsewhere.

In April 1990, the government came up with a 10-year L100,000bn-plus investment plan to update the system. Spending for the first L30,000bn phase for 1991-92 has already been allocated.

The aim of the overhaul is to increase not only passengers, but also freight. As matters stand, the FS has a 10 per cent share of little more than 10 per cent in both fields, well below its European counterparts.

Hand in hand with new investment goes an unprecedented package of labour cuts. In the past six months, 25,000 jobs have gone from the FS's 208,000 workforce. A further 15,000 redundancies are planned before the end



Long a byword for inefficiency and overstaffing, the FS is bound for a transformation

of the year.

According to Mr Necchi, the FS needs three to five years to become "healthy" in the sense of offering productivity comparable with other big European networks.

Reducing manpower is "the first thing" to be done, he says. He won't talk numbers, but around 18,000 jobs could be slashed if all Italy's level crossings were automated, for instance. Numbers would also fall were specialised activities to be spun off into

separate companies.

Meanwhile, a change in the legal status of the FS from a cumbersome public-sector agency to an *ente economico*, a more market-related organisation, is in the process of being approved by parliament. While that has won widespread applause, views differ on opening the railways to private competition.

Mr Necchi has already received approval from the government to develop a new high-speed rail network jointly

with private-sector interest - a scheme accorded lower priority by Mr Schimberni, who was hostile to public-private co-operation.

The L30,000bn project, in which the FS will have a 40 per cent share, with the remainder being financed by a consortium of banks, will link Turin with Venice and Milan with Naples, making up for years of indecision and mismanagement and allowing Italy at last to catch up with similar schemes in France and Germany.

Despite the new harmony between the government and Mr Necchi, there are still a number of obstacles on the tracks. Allowing a private-sector consortium to build a new Milan-Genoa high-speed link is the most prominent, with growing signs of a split between the FS and the transport ministry over the degree of independence to be allowed to the private sector. While the FS feels it should have ultimate responsibility, the transport ministry seems willing to give the private consortium greater leeway.

Further difficulties may also lie ahead on the labour front. Union agreement last year for the first 25,000 lay-offs came at the cost of a L600bn early-retirement scheme and a generous above-inflationary pay and conditions package for remaining staff.

The deal, which was widely criticised by private-sector employers, means that overall salary costs for FS will rise this year, despite the lower numbers employed.

Reaching agreement on the 15,000 redundancies still scheduled for 1991 may prove difficult given the pressures facing the government to control public-sector spending. And if planned reform of the state pension system takes place, the FS could find itself again in the front line of industrial action.

With union opposition to public spending cuts rising, the chances of renewed unrest on the railways after a period of relative peace is looming larger.

Walesa calls for increase in powers

By Christopher Bobinski

POLAND's president, Mr Lech Walesa, has called on parliament to give the government special legislative powers for a year to "regulate economic matters".

According to Mr Slawomir Siewek, a presidential aide, the move is intended to help the government operate more quickly to solve economic problems; controversially, it would involve bypassing the legislature in certain key instances.

Parliament could well resist the proposal, which would require a special law to be passed.

The decision to seek special powers for the government comes a day after Mr Walesa finally vetoed a draft electoral law prepared by parliament. He said the draft law was unclear to voters and would prevent the emergence of political stability.

A two-thirds majority is now required in the Sejm, parliament's lower chamber, for the veto to be overruled and the draft to become law.

Yesterday, it remained unclear which economic issues would be regulated under the new powers.

Government officials have said that taxes, the budget and privatisation issues would be excluded from the proposed new powers and would remain fully in parliament's hands.

The present government has recently taken to complaining that its initiatives are being held up by parliament. Mr Jan Krzysztof Bielecki, the prime minister, seems to approve Mr Walesa's idea.

Parliament has passed 174 new laws in two years, and 107 drafts are going through both chambers at the moment. Some 25 of these are draft laws prepared by the government and not all are connected with the economy.

A delegation representing Poland's 200 air traffic controllers is to see Mr Walesa today.

The controllers suspended a strike, in support of higher pay and reforms, after 10 hours on Monday following a request from the president.

He made appeals to the strikers instead of signing call-up papers for the controllers which would have brought them under military command.

Ambiguity clouds idea of pan-European confederation

By Ian Davidson in Paris

PRESIDENT Mitterrand's proposal for a pan-European confederation comes out of his belief that Europe, after its liberation from the Soviet Union, needs a new unifying structure to establish political links between eastern and western Europe.

But the range of nationalities represented at this week's conference in Prague to promote the idea, includes Americans, Russians and Japanese, implying that the vagueness of the original suggestion made on New Year's Eve 1990, not long after the fall of the Berlin Wall, is being exacerbated by an extra dose of ambiguity.

The French government had hoped

to restrict this week's guest list to Europeans, even though President Mitterrand's original suggestion had been partly inspired by the Helsinki agreement, which includes the US as well as the Soviet Union.

But the Czechoslovak government - whose President Vaclav Havel is co-sponsoring the three-day conference attended by 150 prominent international personalities - insisted that the Americans should not be excluded. One reason was that they did not want to offend the Americans, another that they did not want the project for a purely European confederation to be transformed into a sub-

stitute for membership of the European Community.

President Mitterrand has said that the principal qualification for membership must be the commitment to democracy. But he has repeatedly made clear that, in his conception, this "confederation" should not be intended to supplant the existing European Community of the Twelve, which must indeed become more integrated. Beyond that, however, he has not so far spelled out what he thinks a European confederation should do or how it should do it.

No conclusive answers to these questions will be supplied by this

week's conference, since the participants are independent personalities from various walks of life, not government representatives. But the subjects of the five working groups to which they have been assigned - energy, environment, communications, movement of people, and culture - give some idea of the variegated collection of functions envisaged by the sponsors.

French officials draw a parallel between this week's Prague conference, and the 1948 European Congress in the Hague, which led to the establishment of the Council of Europe and later to the European Community.

What is evident, however, is that he does not envisage anything for the confederation which could restrict or infringe on the ambitions of the European Community.

But some people suspect that President Mitterrand's idea does not at this stage go any further than a pious belief that there must be many areas which should be suitable for ad hoc co-operation between European governments, and which when added together could be called a confederation.

What is evident, however, is that he does not envisage anything for the confederation which could restrict or infringe on the ambitions of the European Community.

INTERNATIONAL NEWS

UN urged to reform its aid structure

By Robert Taylor in Stockholm

THE NORDIC countries yesterday called on Mr Javier Pérez de Cuellar, the United Nations secretary-general, to appoint a full-time famine relief co-ordinator for the Horn of Africa.

The initiative - which has the support of the European Community - comes from the Swedish Foreign Ministry. It reflects a Nordic desire for reform of the UN's development work. A growing number of countries, including Germany and Japan, have expressed their support for the proposal.

These aim to make the UN's development work more transparent, responsive and accountable, says Mr Bengt Söderberg, a Swedish Foreign Ministry official, co-convenor of a report on UN reform.

The Nordic group is highly critical of the way the UN conducts its aid work. It asserts that the response to the aftermath of the Gulf war produced "an unacceptable delay" because of a lack of co-ordination between the UN organisations involved.

"All too often, information from the UN agencies reaches the member states too late and is formulated in such a way as to cause confusion as to the actual relief needs and the organisations through which assistance should be channelled," the group says.

It complains that the Office of the UN Disaster Relief Co-ordinator is "too broad" and the organisation is not performing the functions laid down in its mandate.

But the group also criticises the fact that UN organisations have "virtually no reserve funds for speedy measures".

The Nordic group revives the idea of an international disaster relief insurance system first floated 10 years ago by a group at Uppsala University.

It says the UN's activities in this area have spawned a diversity of funds, programmes and organisations.

The result is a fragmented structure.

Mubarak warns Shamir of rising Arab frustration

By Roger Matthews and Tony Walker in Cairo

PRESIDENT Hosni Mubarak of Egypt, in some of his toughest criticism yet of the Israeli leadership, yesterday accused Mr Yitzhak Shamir, Israel's prime minister, of undermining current Middle East peace efforts and described his attitude as "shocking".

In an exclusive interview with the Financial Times, Mr Mubarak said that Arab frustration with Israeli intransigence on the peace issue was mounting while hope of progress towards a settlement was receding.

"Mr Shamir will get very angry if I speak harshly. I'm not against Mr Shamir but I'm telling him that I cannot just sit here like this and applaud while he is saying no to exchanging land for peace, no for this, no for that. Let us be flexible if we want peace to prevail."

"You cannot keep the land and have peace. It is impossible."

The Egyptian president called for an immediate "confidence-building" moratorium on Israeli settlement activity in the occupied territories, and said that unless progress towards peace was achieved soon another critical opportunity would be lost.

"Continuing to build settlements indicates that there is no hope for solving the problem. It suggests that Mr Shamir is not intending to... [give] Palestinians their rights. This is very contradictory, shocking and gives no hope for the future," he declared in a wide-ranging interview conducted at the Tahrir Palace in Cairo.

Mr Mubarak, who emerged at the outset of the Gulf crisis as a leader of



Mubarak says the Israeli leader's attitude is undermining Middle East peace talks

the moderate bloc in the Arab world opposed to Iraq, said he was surprised and disappointed that after the conflict had subsided Israel had been unwilling to show greater flexibility.

Mr Shamir has said repeatedly that Israel is not willing to yield one inch of territory seized in the 1967 war, including the West Bank, Gaza Strip, East Jerusalem and the Golan Heights.

Mr Mubarak's stern remarks came as Mr David Levy, Israel's foreign minister, left for the US to explain the Israeli rejection of a compromise proposal aimed at breaking the stalemate on Middle East peace talks.

President George Bush, in a letter to Mr Shamir last week, had urged him to allow the United Nations to play a minor role in a proposed Middle East peace conference, and to agree to the conference reconvening at six-monthly intervals to review progress.

But Mr Shamir, in a written reply, rejected Mr Bush's appeal and added new conditions for entering peace talks, saying Israel would insist on the right to veto Palestinian negotiations.

Mr James Baker, the US secretary of state, has visited the Middle East four times since early March in an effort to carry forward the peace process, but has made little progress.

Both the US and its moderate Arab friends have been urging President Hafez al-Assad of Syria to be as flexible as possible on terms for a peace conference. Damascus has insisted on UN involvement in a proposed conference and for the meeting to perform a supervisory role - conditions which Israel rejects.

Asked whether Syria was willing to be more flexible and thus avoid blame should the process fail, Mr Mubarak said: "I think Syria understands this and is moving towards much more flexibility, but on the other hand flexibility is also needed from Mr Shamir."

Mr Mubarak said that the peace conference will be based on UN Security Council 'land for peace' Resolutions 242 and 338... so whether we like it or not the UN will be one of the important factors in the peace process."

On the vexed question of UN involvement in the proposed peace conference, Mr Mubarak said: "Look, the peace conference will be based on UN Security Council 'land for peace' Resolutions 242 and 338... so whether we like it or not the UN will be one of the important factors in the peace process."

Mr Mubarak warned that unless progress was made towards peace by the end of the year, time will have run out.

"The elections of the US president starts and everybody will be busy so the curve of the peace process will go down again," he said.

However, Mr Mubarak refused to speculate on the possible Egyptian or wider Arab response to a collapse of the process.

No Egyptian criticism, however, seems likely to be directed at Washington. Mr Mubarak singled out Mr Bush and his administration for praise, saying that President Bush is doing the maximum and his administration is one of the best administrations as far as I can remember."

UN adopts tough line on Iraqi sanctions

By Michael Littlejohns, UN Correspondent in New York

SANCTIONS must be maintained against Iraq as long as President Saddam Hussein fails to comply fully with United Nations ceasefire terms, the Security Council agreed yesterday.

During the first full-scale review of the situation 60 days after the truce ending the Gulf war went into effect, western members voiced concern that Iraqi forces might be preparing an offensive against British, Moroccan and American civilians who have sought refuge in marshland in the south of the country.

Tehran radio said yesterday that 100,000 Iraqi troops were preparing an all-out offensive, including aerial and amphibious assaults, against hundreds of thousands of Shia refugees.

The reports, which followed accounts of persistent

hit-and-run operations by armed Shia rebels against government forces in Basra, could not be independently confirmed.

Sir David Hannay, the UK delegate, criticised Iraqi actions since the ceasefire, calling Baghdad's performance "far from encouraging", with serious issues of non-compliance still remaining. He again raised the case of the detained British Mr Douglas Hogg and Mr Ian Richter, saying that the seizure of Mr Brand "was a particularly flagrant violation" of UN resolutions.

"We will be heavily influenced in our approach to subsequent reviews by the Council of sanctions, by the Iraqi attitude to the release of both men," Sir David said.

He called for a comprehensive

report on progress by Mr Richard Foran, a Canadian special envoy of the UN who is trying to get Iraq to return stolen property. It was inexplicable, he said, that stolen gold, foreign currency and aircraft were still being held, the British representative said.

Referring to the problems in southern Iraq, he said the establishment of a humanitarian UN centre in Basra might shed more light on that situation.

As a UN team of experts continued a five-day on-site inquiry into Iraqi chemical weapon stock in Muthanna, north-west of Baghdad, the Iraqi government yesterday rejected liability for the cost of destroying these weapons, which according to some estimates could be as high as

\$200m (£115.8m).

However, in a letter to the UN, the government said it was ready "by its own efforts to destroy or render harmless the said weapons", adding that it had the expertise and technical facilities.

Mr Robert Galucci, vice-chairman of the special commission of inquiry said that the proposal could be pursued if the material could be destroyed under proper supervision.

Reuter adds from Baghdad: Iraq said yesterday an agreement between President Saddam Hussein's government and Kurdish rebels would be announced shortly, but gave no indication what form it would take. The defence ministry said a statement would be issued "soon".

UK links hostages to investment in Beirut

MR Douglas Hogg, the British foreign office minister, yesterday linked foreign investment in Lebanon to freedom for the western hostages. AP reports from Beirut.

"Clearly what this country needs is investment, confidence, people coming back to invest here. And that inevitably will not happen until all hostages are released," Mr Hogg said, "there will not be the confidence among the European people to come back, or the Americans, or even our own expatriates. So it's very important for the interest of Lebanon and the people of Lebanon that this problem be solved."

Earlier, the minister met Lebanese government leaders on the third day of his mission to secure the freedom of hostages held in Lebanon. Mr Hogg held separate talks with President Elias Hrawi, a Maronite Catholic, the prime minister, Mr Omar Karami, a Sunni Moslem, and Mr Hussein Hussein, the house speaker, and a

Shia Moslem. After his one-hour talk with Mr Hrawi, Mr Hogg said: "We discussed the question of all the hostages, particularly the British hostages. It was a helpful meeting."

He also was scheduled to meet the foreign minister, Mr Fares Bweiz, before travelling on to Syria today.

Missing in Lebanon are six Americans, four Britons, two Germans and an Italian. Most of them are believed to be held by pro-Iranian Shia Moslem factions.

Israel's ambassador to London said yesterday that his country is prepared to exchange its Arab prisoners for the western hostages and Israeli prisoners held in Lebanon. Mr Yoav Biran told BBC television that Israel is ready to enter negotiations to make the swap.

Mr Biran said that Israel would be willing to exchange a number of Palestinian and Arab prisoners for the seven Israelis missing in action in Lebanon and the 13 western hostages.

Hong Kong warns UK over boat people

A DELEGATION of Hong Kong legislators yesterday warned Mr Douglas Hogg, the British foreign secretary, that the colony could face an outbreak of violence in refugee camps if steps were not taken rapidly to stem the growing inflow of Vietnamese boat people, writes Robert Mauthner, Diplomatic Editor.

The legislators also warned Mr Hogg that if nothing was done to improve the situation they might vote later this year to repeal the law of first asylum, under which the boat people are allowed into Hong Kong. This could provoke a constitutional crisis between the colony and Britain.

Tamils offer peace talks

Tamil rebels yesterday said that they were ready for peace talks to end the eight-year civil war and suggested negotiations in Europe. AP reports from Colombo.

The offer came one year after the Liberation Tigers of Tamil Eelam, the rebel militia, broke a ceasefire and resumed their civil war against the army. "The LTTE is showing a willingness to take part in direct, unconditional talks with the Sri Lankan government," said Mr Lawrence Thilaker, a Tamil spokesman.

Ethiopian port road reopens

Forty trucks carrying fuel, relief supplies and fertilizer from the Red Sea port of Assab headed to Ethiopia's capital yesterday following the reopening of a vital road linking Addis Ababa and the coast. AP reports from Addis Ababa.

The port, 400 miles north-east of the capital, is crucial to the delivery of relief supplies for many of the nation's estimated 7.3m drought victims.

Fears of coup grow in Fiji

Fiji's military yesterday ordered 3,000 reservists to report to their bases, raising fears of a third military coup. Reuter reports from Suva.

The order, broadcast on state-owned Radio Fiji, followed a call last Saturday by Fiji's military forces commander, Maj-Gen Sitiveni Rabuka, for the interim government to resign.

Manila to negotiate new loan

By Greg Hutchinson in Manila

THE Philippines plans to negotiate a \$800m to \$1bn loan package from the World Bank, the Asian Development Bank, the Japan Export-Import Bank and the Overseas Economic Co-operation Fund (OECF), also of Japan.

Mr Jesus Estanislao, the Philippine finance secretary, told reporters yesterday that the new loan would be similar to the 1986 World Bank economic recovery loan funded equally by Japan's Eximbank and the Asian Development Bank.

The intended fresh loan would in effect be the third structural adjustment facility granted by the World Bank,

and would be focused on the development of the private sector through 1992 and beyond.

The first of such loans was provided in the 1980s before President Corason Aquino came to power, although its thrust was less private-sector oriented.

Mr Estanislao described the intended loan as the administration's "send off" to the incoming government after presidential elections next May. The loan would require a broader pursuit of economic reforms, including the liberalisation of investment and trade regulations, accelerated privatisation, deregulation of oil pricing and further reforms in the

duty collections system of the Customs Bureau.

The programme would seal the privatisation of the National Steel Corporation and Philippine Phosphate Fertiliser Corporation and the Philippine Associated Smelting and Refining Corporation.

Three others, for which no decision had previously been made - namely, Semirara Coal Corporation, the North Luzon Mining Corporation and the Metro Manila Transit Corporation - would also be sold to the public.

The IFC, the investment arm of the World Bank, would recommend how the latter three companies would be privatised.

Pro-western army chief appointed in Pakistan

WEEKS of intense speculation finally ended as Pakistan's President Ghulam Ishaq Khan yesterday appointed Lt-Gen Asif Nawaz Janjua as new army chief-of-staff, writes Farhan Bokhari in Islamabad.

The pro-western general will replace Gen Mirza Aslam Beg, who took over as the army chief after General Zia-ul-Haq's death in an air crash in August 1988. Gen Beg is due to retire in August and has denied that he would seek to extend his tenure.

The issue of the army chief's appointment has attracted much attention in the local press and during private discussions among politicians,

and speculation that Gen Beg's term of office would be extended.

Gen Janjua's appointment appears part of an effort to strengthen ties with the US. Talks between the two sides started in Washington yesterday, aimed at preventing a further deterioration in relations between Pakistan and the US.

The US have been damaged by the cut-off of US economic and military aid, and Gen Beg's anti-western statements during the Gulf war. Pakistan sent 11,000 troops to Saudi Arabia as part of the allied forces.

World Bank patient with a chance

Tony Hawkins on Zimbabwe's move to take the adjustment medicine

FEW of the 30 odd sub-Saharan African countries that have embarked on a World Bank structural adjustment programme have done so with a better chance of success than Zimbabwe, the latest government in the region to start taking the World Bank medicine.

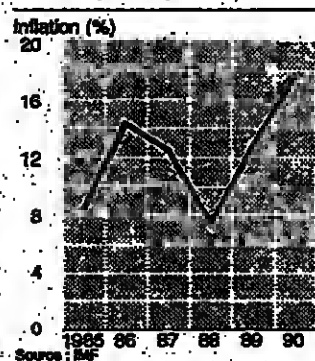
Zimbabwe has many of the qualities necessary for policy reform to work: its infrastructure has not been run down as in Ghana, Nigeria, Tanzania or Zambia. After South Africa and Nigeria it has the strongest private sector in the region and a relatively sophisticated industrial base.

It is not a mono-economy dependent on a single crop or metal, nor is its debt burden overwhelming, while its skills base is stronger than almost anywhere on the continent. Above all, it has not yet succumbed to the aid addiction that is undermining private initiative in so many African states.

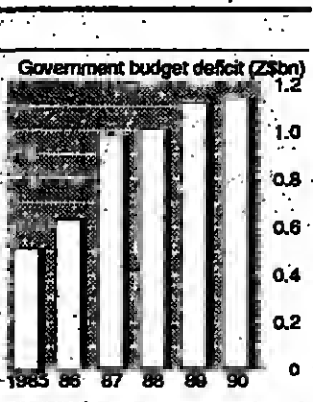
Whether these strengths will be enough for Zimbabwe to succeed remains to be seen. After the re-it-alone reform plan of Mr Robert Mugabe, finance minister, was aborted late last year, the programme was relaunched with strong World Bank backing in March. At a meeting in Paris, donors pledged \$700m for the first year of the five-year programme, which envisages trade liberalisation, an end to price controls, deregulating the financial system, and reducing the budget deficit.

But that money has not yet started to flow, while exports - other than tobacco - are under-performing. Depressed metal prices and a serious drought are threatening the projected 8 per cent growth in

Zimbabwe



Source: IMF



Source: IMF

exports (in US dollars). Export hopes this year are almost totally dependent on tobacco; so far this season, leaf prices, in US dollars, are 50 per cent above last year's levels, but some merchants doubt whether this can be sustained, warning that when the US auctions open early next month, harvest prices could fall.

To close a widening foreign exchange gap, bridging loans are being arranged with Barclays and Standard Chartered banks. But even with this costly commercial funding in place, the target of liberalising trade to the point where 30 per cent of imports are on open licence by the end of 1991 is looking increasingly out of reach.

Missing this target would be disappointing but far less serious than a failure to get to grips with both inflation and the budget deficit. At the Paris consultative group meeting, it was evident that several donors were sceptical of Zimbabwe's commitment to reform. Tightening the monetary and fiscal stance would reassure doubtful donors and

help curb an inflation rate which is already above 20 per cent on official figures and closer to 30 per cent on unofficial estimates.

The danger is that when interest rates are raised, they will not go high enough because the government is wary of the political consequences - especially among thousands of homeowners with large mortgages. Meanwhile, consumer demand is buoyant, house and stock prices have soared and there are all the signs of a consumer-led boom, which is just what the country does not need.

Donors will be watching the July budget even more closely than interest rates to see how far and fast Mr Mugabe is moving to trim the budget deficit and retrench civil servants. He is committed to halving the budget deficit to 5 per cent of gross domestic product and to shedding 20,000 public service jobs (a quarter of the total) by 1994-95.

With the programme calling for lower tax rates, the burden of deficit reduction will fall on spending cuts, supported by

Buthelezi denies arms allegations

By Paul Waldmeir in Johannesburg

CHIEF Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, has denied allegations that the South African Defence Force has provided funding and weapons to his party as part of a strategy to weaken his political rivals, the African National Congress (ANC).

Newspaper reports had earlier quoted a former member of South African military intelligence, Mr Nico Basson, as saying that the SADF bought AK-47 rifles and used them to arm Inkatha. He alleged that the violence which has left some 1,800 people dead since August in the Johannesburg area had been deliberately orchestrated by the SADF.

That violence has often pitted supporters of Inkatha against supporters of the ANC.

The strategy behind the violence, he said, was to create ethnic divisions, and to boost support for Inkatha as a potential moderate alliance partner with the ruling National party in the first post-apartheid elections.

The longer Zimbabwe's prevaricates, the greater the probability that its efforts to diversify and expand exports of manufactures will be frustrated by aggressive South African competition.

Since the growth of non-traditional exports is crucial to the success of reform in Zimbabwe, Harare must steel a march on Pretoria while the South Africans are preoccupied with internal politics.

Indian election resumes

By David Housego in New Delhi

POLLING resumes in India's general election today with the Congress party widely believed to have improved its position after Rajiv Gandhi's assassination.

Though Congress seems certain to emerge as the single largest party, it is likely to need support - most probably from the communists - to form a government.

The first day of polling was on May 20 when voting took place for 204 of the 510 seats being contested. After Mr Gandhi's death on May 21, voting was postponed for three weeks in the remaining constituencies.

President R. Venkataram took the unusual step on Saturday night of appealing on television for a free and fair poll. "Parties that gain power through malpractices will not get the co-operation of the people," he said.

His strongly worded statement was intended to prevent the widespread violence and ballot rigging which occurred on the first day of polling when 100 people died and voting was cancelled in five constituencies because of malpractices.

But Mr Venkataram's remarks were also seen as a sign of the president asserting greater role for himself at a time of great political fluidity.

He has been widely criticised for taking the initiative in proposing a national government and even the cancellation of the election.

Since Mr Gandhi's death, public interest in the cam-



A Bombay family makes its way through the streets yesterday during heavy monsoon rains which have killed at least 44 people

paign has dwindled - as has the violence. The big exception is the Punjab which goes to the polls separately on June 22 and where 20 candidates have been killed since the campaign began.

Polling will take place today

in 113 constituencies in 13 states. A further 186 seats are being contested on Saturday. A moderate to low turnout is expected today and on Saturday, with the risk of monsoon rains also likely to deter voters in the south and west.

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UK NEWS

UK plans to accelerate changes on insurance in Europe

By David Waller

BRITAIN will use its presidency of the European Commission next year to speed up the implementation of a European agreement on the liberalising the market in life insurance services, Mr John Redwood, corporate affairs minister said yesterday.

Launching a consultative document on the EC's Third Life Insurance Directive, Mr Redwood said he welcomed the Directive's intention to balance prudent supervision for policyholders with the need for an open market to give people choice.

The directive, which will enable insurance groups to operate freely across the European Community according to their home countries' rules, was formally adopted by the European Commission in February this year and was described yesterday by Mr Redwood as "the last important single market measure proposed for the financial services sector".

He made it clear, however, that the UK would be taking a firm line in forthcoming negotiations to ensure that the market is properly liberalised. The government will seek to ensure that customers' interests are looked after not by detailed regulation but by proper disclosure of the compensation arrangements available to policyholders.

It also wants the measures of the directive to include: freedom for composite insurance companies to offer their services across the EC; the abolition of prior approval of terms of life policies by host state regulators; and the avoidance of unduly restrictive investment controls.

The government's demands are likely to be challenged during the negotiations by countries such as Germany and Belgium, traditional opponents of insurance liberalisation. The UK's line will be that regulators should not get involved in investment judgments, but concentrate on the rules of prudence.

Mr Redwood said the aim of the negotiations would be to reach agreement by the end of next year.

The UK's Presidency of the European Commission in Brussels in the second half of 1992 would help in getting agreement, he said.

European Commission Proposal for a Third Life Insurance Directive (The Life Framework Directive), Consultative Document 1991. Available from the Insurance Division, the Department of Trade and Industry, Room 518, 10-15 Victoria St, London SW1H 0NN.

Major ready to compromise on monetary union

By Philip Stephenson, Political Editor

MR JOHN MAJOR, the prime minister, confirmed yesterday that he expects to sign up to a compromise deal on a single European currency, but was careful to offer the anti-Federalist wing of his party some tough words on the pace of integration.

The latest episode in his delicate balancing act over Europe came as a leaked memorandum from the right-wing Bruges Group suggested that he was ready to cave in to pressure from other European leaders.

The "private and confidential" note signalled the start of a campaign by the group's supporters among Tory MPs to persuade Mr Major to veto plans for European economic and monetary union (Emu). Facing a strong attack from Mr Neil Kinnock, the opposition Labour party leader, in the House of Commons, Mr Major did little to conceal his irritation with Mrs Margaret Thatcher's sponsorship of the group. She became its patron after stepping down as prime minister.

In response to Mr Kinnock's charge that the memorandum had exposed deep divisions at the heart of the Conservative party, Mr Major denied that there had been any shift in the government's implacable opposition to the "imposition" of single currency. He repeated his view that the economic case for Emu had not been made by Britain's partners.

The prime minister, however, suggested that he had little power to veto an agreement by other states to press ahead with progress towards a single currency. He said also that the government would remain fully engaged in the negotiations for the rest of this year.

Officials later reinforced the view that Mr Major is willing to accept a formula for Emu based on what has become known as the "Delors" compromise. The proposal of Mr Jacques Delors, European Commission president, provides for Britain to agree the treaty changes necessary for Emu but to defer to a future parliament a decision on its participation. The government could then claim that there was no question of the "imposition" of a single currency.

The message from the government yesterday was that Mr Major regarded Britain's influence at the negotiating table as more important than its theoretical right of veto. His view was that if that veto was exercised, the other 11 governments would simply bypass the Treaty of Rome and set up separate arrangements for monetary union.

To avoid that Britain is willing to discuss in the intergovernmental conferences the details of all stages towards Emu. That readiness sparked reports from other European governments that Mr Norman Lamont, the chancellor, had softened his position at a meeting of finance ministers earlier this week.

Mr Major, however, remains determined to avoid being "bounced" into an immediate agreement on Emu at the Luxembourg summit later this month. Officials insisted that a final decision on whether to accept the Delors compromise would depend on the details thrashed out in the intergovernmental conference in the second half of this year. "We are not putting all our cards face up on the table", one commented.

Lilley struggles to bloom as trade minister

Ralph Atkins on the prospects for the politician entrusted with industrial policy

MR PETER LILLEY, a trade and industry secretary described by opposition Labour predators and some Tory MPs as both a frightened rabbit and a rigorous intellectual, steps into the on-coming headlights this week.

A milestone speech on competition policy today, a House of Commons debate on the recession tomorrow, and speeches to Welsh businessmen and Tories on Friday, offer the opportunity to prove he is a political heavy-weight — or confirm the fears of a few Conservatives that he is a victim of premature promotion.

Mr Lilley, who is pushing through the privatisation of Britain's Export Credit Guarantees Department, has yet to prove to MPs that he has the stature — on top of his recognised mental prowess required of a Cabinet minister.

He looks far younger than his 47 years and critics say his parliamentary performances have lacked *flair* or the confidence of an established parliamentarian.

Springing a year ago from relative obscurity as a Treasury minister to replace the self-combusting Mr Nicholas Ridley, he joined the Cabinet when the government of Mrs Margaret Thatcher was in disarray.

Now, with Mr John Major pinning hopes of electoral recovery on an economic upturn, his Thatcherite "hand-offs" policy appears misplaced to many Tories worried about the recession. "I do wonder if he is beginning to develop into a liability," said one usually earnestly-loyal Tory backbencher.

Mr Lilley has so far left his imprint in strategic, but subtle, decisions. Foreign state-owned companies seeking to take over UK companies are being subject to particular scrutiny through fears of "nationalisation by the back door".



Caught in the headlights: Peter Lilley (above) negotiates the traffic in Downing Street

A further exposition of the "Lilley doctrine" will come in his speech today. He has won plaudits from Tories for his stand on Gatt and in promoting innovation.

Mr Lilley faces, too, the possibility of a takeover of Imperial Chemical Industries (ICI) by Hanson, the UK conglomerate, blowing into a political row to dominate the torpid atmosphere at Westminster this summer.

He has taken a characteristically non-interventionist stance. But one exasperated Tory with an ICI plant in his constituency said: "If he can't say anything for legal reasons, what is the DTI doing there?"

Despite shared beliefs in unfettered competition, Mr Lilley is a different animal to his predecessor. Whereas Mr Ridley reportedly asked on his first day at the Department of Trade and Industry, "What is this building for?", Mr Lilley has sought to define its role in a series of speeches of which today's is the latest.

"He is determined to create his own policy and put his stamp on the department in a studied way, and not rush in because people have been critical," says Mr Michael Grylls, chairman of the Conservative backbench trade and industry committee.

Sir Giles Shaw, former industry minister, says: "He shows a capacity to learn and change and that is very welcome in a cabinet minister."

Even Labour agree that what Mr Lilley says is at least coherent; one official said his speeches, delivered by someone else, would make more headway.

Mr Lilley does not shy from his commitment to the ideology of the deeply-Thatcherite No Turning Back Group.

The great weakness is in presentation. In the House of Commons he appears nervous and unnecessarily brittle, as if caught in the glare of an fast approaching car. While a Treasury minister he was rebuked by the Speaker after a bruising run-in with a Labour MP.

Against Mr Gordon Brown, Labour trade and industry spokesman and expert in political jousting, he frequently

comes off worst. "He just looks like a frightened rabbit," said one Tory MP.

One friend of Mr Lilley admits his strengths, "do not lie in ruminations; ballying... he is a particularly quiet and reflective person. His strength has always lain in his intellectual rigour and the courage with which he sticks to the line." He colleagues say he is capable of picking up the finest of details and in detecting inconsistency.

For some, his poor Commons performances are irrelevant. "You really can't judge a minister on whether he is clubbable or not," says Mr Grylls. "What you want is a minister who develops the right policies... He is not a man who is interested in the superficialities of political life."

But others privately believe his reticence is hindering his career. He rarely socialises at Westminster, backbenchers complain. "He needs to show that he is a political animal, that he is friendly and warm," said one ex-minister.

There is no dash. They do not have the long ears and politically-sensitive noses of other ministers. To some at Westminster, it is as if they are more comfortable in the DTI's warren of offices, than open green benches of the Commons chamber.

Mercury faces £189m in costs

By Hugo Dixon

MERCURY Communications claimed yesterday that it was facing £189m in extra costs because it was a new competitor to BT, the telecommunications industry's dominant player.

Mr Peter van Cuylenburg, Mercury's chief executive, launched the concept that it was facing a "life-cycle deficit" as its latest attempt to persuade OfTel, the industry regulator, not to press ahead with controversial plans to allow BT to charge competitors an access charge for using its local network.

OfTel said Sir Bryan Carsberg, its director-general, accepted that Mercury's argument had some validity. The

expectation is that he will now modify his original proposals when he announces them in about two weeks but that he will not abandon them completely.

Mr van Cuylenburg said that Mercury faced a cost disadvantage vis-à-vis BT because it was a new competitor with a smaller market share. This meant, among other things, that equipment and capital cost more.

He said that this life-cycle deficit should be set against BT's claim to be facing an access line deficit. BT has argued that it is at a disadvantage because it is not allowed by OfTel to increase its line rental charges by more than

the rate of inflation, plus two per cent a year.

Mr van Cuylenburg also said he did not believe BT's claim that its access line deficit was as high as £2bn a year. BT, however, said it stood by that figure.

● BT, the telecommunications group, has set up a £2m seed capital fund to provide small amounts of equity and loan capital to own businesses in less prosperous parts of the UK.

The fund plans to provide amounts of between £50,000 and £150,000 to fill a gap in funds available to small businesses. It will take minority equity holdings in the businesses it backs.

British Gas threatened with legal action

By Deborah Hargreaves

COMPANIES planning to build two new power stations have issued writs against British Gas over its failure to agree gas supply contracts.

At the same time, Mr John Wakeham, energy secretary, is understood to have met Mr Robert Evans, British Gas chairman, to discuss the power row which is threatening the government's plans for the development of greater competition in the electricity generation market.

● Mobil Oil and Eastern Electricity, which are planning to build a joint venture power station in Essex, and Thames Power, a consortium which plans to build a station at Barking, London, have issued

writs in the High Court against British Gas.

These are largely a formality to maintain the companies' rights in negotiations with British Gas, but they reflect growing impatience on the part of the power companies.

"We are disappointed at the lack of progress with the negotiations," a Mobil official said.

"We made our expectations clear to British Gas and they haven't responded; the ball is firmly in their court."

British Gas was forced to enter talks with the two projects by its regulator, the Office of Gas Supply, after it raised gas prices for new power projects by 35 per cent in March. But British Gas is wary

of setting a precedent for other power projects.

For this reason, the two power projects may be forced to settle up and for a realistic schedule to be put in place for the difference in the courts.

The company raised the price of gas to stifle an upsurge in demand from the newly-privatised electricity industry which it saw no prospects of supplying. British Gas has also issued a writ against its regulator in a row that could escalate into an embarrassing round of litigation.

"We hope that a solution can be found without recourse to litigation, but at the end of the day, that remains a possibility," a British Gas official said.

Mr Malcolm Keay, deputy director general of Ofgas, said yesterday, the regulator would like the negotiations to be speeded up and for a realistic schedule to be put in place for other power customers. "We believe British Gas can supply these projects at a reasonable price."

Mr Keay said Ofgas is still analysing data from British Gas on power supply and had put proposals to the company, but is awaiting a response.

● British Gas has agreed to make gas available to 5 companies in a series of swap deals which run until September 1992. The move is a way of encouraging competition in the gas market.

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Security guards occupy city's control centre

By Ian Hamilton Fazey, Northern Correspondent

LIVERPOOL city council staff further towards chaos last night as up to 10 members of a group of security guards taking control of the city's control centre from which hundreds of public buildings are guarded.

As moves to evict the group began, the council said weeks of industrial action, prompted by the council's plan to shed 1,000 jobs, had left 12,000 tons of rubbish uncollected and threatened the city's schedule for repaying its debts to banks and government bodies. The plan aims to reduce overstaffing and inefficiency.

Officials said council repair and maintenance workers were running out of materials because stores were being picketed. A strike by housing clerks has forced the council to spend £26,000 a week on bed and breakfast accommodation for homeless families.

The security centre occupied yesterday, closed down more than 500 council buildings, many of them schools. It also has direct lines to police stations throughout Liverpool. With more than £50,000 of advanced electronic equipment, it is the city's first-line defence against theft.

According to senior council officers, the protesters "picketed" two highly-trained guards in charge of the centre to unlock outer and inner security doors at the same time and then evicted them.

Council officers plan to seek a court order today so that police can evict the occupiers. They failed yesterday to persuade them to leave quietly, finally leading to an ultimatum threatening legal action. "Our major concern is not to provoke them into committing damage," Mr Ken Robinson, director of environmental services, said.

He said the occupiers were recognised by the evicted guards as members of Liverpool's "stable" security force. This was a group of 150 men recruited during the period of Militant-led control of the city to serve in council offices. It functioned separately from the city's 120-strong pre-existing mobile security force, which continued to patrol buildings, linking with the control centre when it was built. Observer, Page 16

Liverpool rocks to sound of strikes and bankruptcy

Ian Hamilton Fazey finds a city in financial chaos

UNION leaders are trying to escalate their 10-week dispute with Liverpool city council over 1,000 redundancies by forcing the city to default on interest charges and debt repayments. The aim is to damage Liverpool's reputation in money markets and create a financial crisis which the unions hope might destroy confidence among creditors and drive the city into bankruptcy.

The move comes as selective strikes and other industrial action - which council managers say are sometimes enforced by intimidation - are beginning to bite.

● 12,000 tonnes of garbage remains uncollected;
● council repair and maintenance men are running out of materials because stores are picketed;
● a strike by housing clerks has forced the council to spend £26,000 a week on bed and breakfast accommodation for homeless families;
● rent arrears have risen by 50p to pass the £25m mark, and are still rising;
● newly-empty council flats and houses are being robbed of fittings and plumbing because they can no longer be made secure and watched prior to

reletting. Each will cost £15,000 to repair. More than 100 may be involved.

Council leaders stressed yesterday that they will not give in. They say that overstaffing and low productivity are making it impossible to run Liverpool efficiently and give people value for money.

Conceding to the unions, which are supported, and in some cases led, by members of Militant Tendency and the Broad Left, would make the city ungovernable. Both groups are Marxist dominated. In the latest escalation attempt, clerks and supervisors in the city's treasury department are being balloted over striking in stop interest charges and capital repayments being made on due dates.

The city has total debts of more than £700m, with costs and repayments of about £100m a year.

Most money is owed to the Public Works Loan Board for housing and other municipal building projects over several decades, but other debts are to foreign banks, which bailed out the city during the financial crises of the 1980s created by deliberate overspending by its then Militant-led council.

A strike would also cause problems of treasury management, with the council failing to maximise any interest it might earn on cash balances.

Mr Phil Kelly, the city treasurer, said: "The importance of the city fulfilling its obligations is so great that it is unthinkable that we should not make repayments or meet interest charges on due dates."

"If a strike is supported and called, senior management will make sure that Liverpool does not default. That will mean we would have no time for other work, such as trying to find ways of saving as many jobs as we can, so any action will rebound right back on the unions."

There are signs, however, of cracks in the unions' ranks. Mr Ken Robinson, director of environmental services, said yesterday that 148 men of the 362 in his department listed for compulsory redundancy had secretly contacted officials asking to be paid off immediately. "A lot of people are very unhappy about the dispute and the intimidation they have been facing. There is a general air of intimidation. We have had 10 years of it in the department and on occasions there have been physical assaults," he said.



Naked truth: uncollected rubbish piles up

Unions offer 'realistic' pay line to Ford

By Diane Summers, Labour Staff

UNION leaders representing 33,000 manual workers at Ford, the US-owned vehicle manufacturer, yesterday said they would be taking a "realistic" line on pay this year in view of the company's difficulties.

The unions indicated that the settlement could be around the level of inflation - this could drop to 3 or 4 per cent by the time the negotiations are due to start in October. Ford pay talks traditionally form a benchmark for other motor industry negotiations and manufacturing pay generally.

In return, unions want to see a job security agreement, along the lines of deals done in the US and Europe. There have been particular fears about the long-term future of the Halewood and Dagenham plants, although the company has said it has no immediate plans to reduce jobs in Britain beyond the 980 job losses announced earlier this year.

A reduction in the working week from the current 39 hours and improvements to the pension scheme are also sought as part of the deal. Ford of Britain disclosed last month that it made a loss - a pre-tax deficit of £274m - for the first time in 20 years.

BRITAIN IN BRIEF



TWA staff in Heathrow strike threat

A majority of the 294 Trans World Airlines staff at London's Heathrow airport have voted for strike action against the US carrier in protest at the deteriorating conditions they claim are being imposed upon them by their new employer, American Airlines which begins operating TWA routes to Heathrow next month. American Airlines, one of the largest US carriers, is insisting that the 294 TWA staff at Heathrow sign new individual contracts to transfer employment with an end to union recognition. American is taking over TWA's three main US-London routes on July 1.

Advice on hospital care

Hospitals have been advised they must not agree contracts with GP fund-holders - family doctors who purchase their patients' hospital care from pre-allocated budgets - which would disadvantage other patients. Mr William Waldegrave, health secretary, said he expected that the guidance would be "welcomed by clinicians and patients alike."

Wales aims for electronics

A new initiative to attract international electronics companies to Wales was launched by the government, the Welsh Development Agency, the Cardiff Bay Development Corporation and six local authorities. The initiative aims to attract five major inward investments in the next 12 months. The project will run for two years and will have a marketing budget of £500,000.

Law review of damages

Lord Mackay, the Lord Chancellor, has asked the Law Commission, the government's law reform body, to carry out a fundamental review of damages. Announcing the Commission's law reform programme for the next two years, the Lord Chancellor said it would also conduct a thorough examination of the judicial review system.

R-R seeks land sale probe

Unions at Rolls-Royce called on Parliament to investigate the sale in April of a 250-acre Ministry of Defence site at Levensay, near Watford, to the aero-engine maker two weeks before the company announced the closure of the plant and the sacking of its 2,000 workforce.

Obstacle in hostage release

One obstacle preventing the release of the British hostages in Lebanon was "the holding" by the Israeli government of Sheikh Obeid and other Lebanese hostages, a Conservative MP said. Prime Minister John Major reiterated the government's commitment to ending the ordeal of the hostages and said it was wrong for any country to take and to hold hostages.

Computer TV relaunched

The Computer Channel, which broadcast briefly on the British Satellite Broadcasting satellite last year is being revived on video cassette following a management buy-out. The specialist channel was designed to deliver both news and training films via satellite to the computer industry all over Europe. The channel collapsed last November with the merger of BSBS and Sky Television.

Jobs soar in tourism

More than 2m jobs in Britain are now supported by the tourism and leisure industries, says the English Tourist Board. About 160,000 new jobs were created between 1985 and 1990, making it one of the fastest growing areas of the economy.

Police case dismissed

Three police officers charged with conspiracy to pervert the course of justice were discharged by a London magistrate. The officers were charged in relation to interviews with Patrick Armstrong, one of the men known as the Guildford Four. The men, who had been convicted in 1975 after a pub was bombed in the Surrey town, were released earlier this year by the Court of Appeal after evidence emerged of alleged malpractice by Surrey officers.

Pay cut threat prompts ballot

An industrial action ballot of 1,000 workers at a London Buses subsidiary has been called over a proposed 18 per cent pay cut. The cut is thought to be the largest ever sought because of competitive tendering on London bus routes.

Bus workers and engineering staff held a disruptive meeting and are to be balloted on action this Friday. The TGWU general union said the company wanted to cut pay and lengthen working hours.

Building union seeks members

UCATT, the troubled construction union, launched a recruitment campaign on building sites throughout the UK in an attempt to fight off a threat to its membership from the RCUU electricians' union. UCATT officials have been told to visit every job or site where the union has members over the next fortnight. A letter is to go out to all UCATT's 200,000 or so members warning that the union is still in business.

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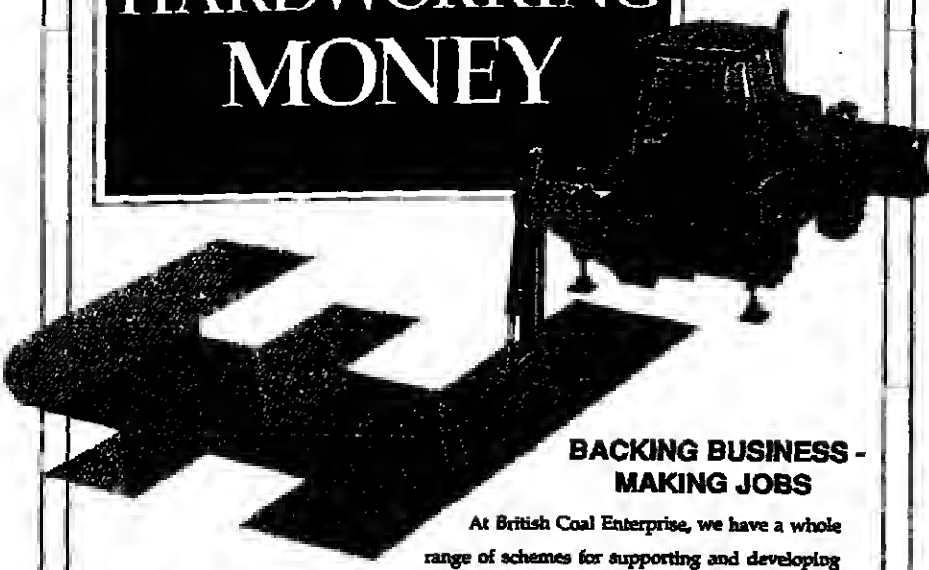
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FT LAW REPORTS

Parent company gets group relief

J SAINSBURY PLC v O'CONNOR
Court of Appeal
(Lord Justice Lloyd, Lord Justice Nourse and Lord Justice Ralph Gibson)
May 22 1991

A PARENT company which grants an option to its joint venture to buy 5 per cent of the shares in its 75 per cent-owned subsidiary, retains beneficial ownership in that 5 per cent while the option is unexercised and can therefore claim group relief on the subsidiary's trading losses, provided it is not bereft of all the benefits of ownership. And the option agreement is not an "arrangement" capable of depriving the parent of group relief if, though it affects rights of ownership, it does not affect rights attaching to the shares, such as the right to receive dividend if one is paid.

The Court of Appeal so held when dismissing an appeal by the Inland Revenue from Mr Justice Millett's decision that J Sainsbury plc was entitled to group relief in respect of trading losses of its subsidiary, Homebase Ltd.

LORD JUSTICE LLOYD said that in October 1978 Sainsbury negotiated with a Belgian company, GB-INNO-BM, to set up a joint venture company in the UK to develop a chain of home improvement stores.

The intention was that shares should be held 70 per cent by Sainsbury and 30 per cent by GB. But in August 1979 it was realised that Sainsbury would not be entitled to group relief under the Income and Corporation Taxes Act 1970 unless the new company were a 75 per cent subsidiary.

By way of solution Sainsbury agreed to subscribe 75 per cent of the share capital and GB 25 per cent. By a separate

option agreement Sainsbury granted GB an option to purchase 5 per cent of the share capital, not to be exercised within five years of incorporation of the new company.

The option was not exercised. The option agreement was cancelled in August 1985. The issue was whether Sainsbury could claim group relief under section 268 of the 1970 Act.

Section 268 provided that relief for trading losses sustained by one company in a group might be allowed to a member of the same group. Two companies were deemed to be members of a group if one was the 75 per cent subsidiary of the other.

By section 83 a body corporate was deemed a 75 per cent subsidiary of another if not less than 75 per cent of its ordinary share capital was owned by that other. Subsection (3) provided that "ownership" was to be construed as "beneficial ownership".

The first question was whether Sainsbury was "beneficial owner" of the whole of its 75 per cent holding, notwithstanding GB's option to purchase 5 per cent.

Mr Justice Millett answered in favour of Sainsbury. The concept of beneficial ownership originated in Chancery. In *Ayerst (1876) AC 167*, Lord Diplock said the archetype was the trust, where "legal ownership" was in the trustee but he held for the benefit of beneficiaries. In *Paragon Estates 45 TC 135* Lord Justice Jenkins assimilated beneficial ownership with equitable ownership. In *I Congreso (1977) 3 WLR 773* Mr Justice Robert Goff held that "beneficially owned" in the case of a ship referred to equitable ownership.

So there was good authority for the view that "beneficial owner" of shares, when used in a statute in contrast to the registered holder, meant the equitable owner. By equitable

ownership Sainsbury was deemed to be the purchaser under a specifically enforceable contract.

If that test were applied, GB was not equitable owner since it could not claim specific performance until it had exercised its option. It followed that equitable ownership in the 5 per cent remained in Sainsbury. It was difficult to see how equitable ownership could become severed from legal ownership unless it passed to somebody else.

If beneficial ownership meant equitable ownership for the purpose of the act and if equitable ownership had not yet passed to GB, Sainsbury never ceased to be beneficial owner.

But Mr Park relied strongly on *Wood Preservation Ltd v Prior (1963) 45 TC 112* which concerned a contract of sale containing a condition for the sole benefit of the purchaser, which he could therefore waive. It was held that the vendor did not remain beneficial owner until the condition was withdrawn. He ceased to be beneficial owner when the contract was made.

Lord Donovan concluded it was possible for property to lack any beneficial owner for a time. Lord Justice Harman said that after accepting the offer the vendor was unable to deal with the property in any way and there was no benefit in its ownership. He said "it was a mere legal shell".

The court was bound by *Wood Preservation*. It followed that the first question could not be decided on the straightforward ground that beneficial and equitable ownership were the same, and that since Sainsbury retained equitable title it was beneficial owner.

Instead the court must look into the nature and extent of the rights retained by Sainsbury in relation to the 5 per cent.

If Sainsbury were bereft of all rights which would normally attach to those shares so that ownership was nothing more than a "legal shell", then the court would be bound to hold that it was not beneficial owner, though rights which would normally attach to the shares had not yet passed to GB.

Mr Park submitted that that was the position. He relied on three factors.

First, Sainsbury had no right to dispose of its shares prior to November 12 1984 without GB's consent. Second, it had no expectation of dividend prior to November 12 1984, since payment was in Sainsbury's and GB's joint control, and GB would have been unlikely to agree to payment while its option remained outstanding. Third, the price at which GB was entitled to purchase the shares under the option was the amount paid up plus interest, less the amount of any dividend paid meanwhile. So if the option had been exercised Sainsbury would have been deprived of any increase in value of the shares. It would have accrued to GB.

The first two factors applied not only to the 5 per cent, but also to the remaining 70 per cent. It could not possibly be argued that Sainsbury was not beneficial owner of the 70 per cent.

The third factor made no difference. The fact that the amount of any dividend would have been deducted from the option price did not mean Sainsbury was not beneficially entitled to the dividend in the meantime.

Its rights in relation to the shares were more than a "mere legal shell". *Wood Preservation* did not apply.

The first question was answered in favour of Sainsbury.

The second question was

whether the option agreement was an "arrangement" within the meaning of paragraph 5(3) of Schedule 12 of the Finance Act 1978. If so, Sainsbury would lose the benefit of group relief by virtue of section 28 of that act, which provided that for group relief to apply the parent must be beneficially entitled to 75 per cent of the subsidiary's dividends.

Paragraph 5(3) provided that if an equity-holder held shares in respect of which "arrangements" existed by virtue of which, in that or any subsequent accounting period, his entitlement to profits could be different to his entitlement if effect were not given to the arrangements, it was to be assumed that effect would be given to the arrangements in a later accounting period.

For paragraph 5 to operate the arrangement must affect rights attaching to the shares. The option agreement was an arrangement which could affect ownership, but it could not affect rights attaching to the shares.

The fact that those rights would have accrued to the benefit of GB and not Sainsbury if the call option had been exercised was beside the point. The paragraph was not concerned with a reduction in the overall right to dividend, but with the reduction in the right to dividend attaching to particular shares. That was the plain meaning of the words.

The second question was answered in favour of Sainsbury.

The appeal was dismissed. Lord Justice Nourse gave a concurring judgment. Lord Justice Ralph Gibson agreed. For the Revenue: Andrew Park QC and Laurence Henderson (Inland Revenue solicitor). For Sainsbury: Peter Whittemore QC and Brian Green (Denton Hall Burgin & Warrens).

Rachel Davies
Barrister

Swissair Customer Portrait 67: George Klarsfeld, cosmetics executive, with Nicolas and Charlie, New York, photo by Pamela Hanson.



Notice to the BONDHOLDERS of

CANON INC.

(the "Company")

U.S.\$50,000,000 6-1/2 per cent. Convertible Bonds Due 1995
U.S.\$50,000,000 7 per cent. Convertible Bonds Due 1997
U.S.\$100,000,000 3 per cent. Convertible Bonds Due 2000

"Adjustments of Conversion Prices"

Notice is hereby given pursuant to Condition 5 (C) of the Terms and Conditions of the Bonds that as a result of the issuance of U.S.\$370,000,000 4 per cent. Notes 1995 with Warrants and DM 600,000,000 4 per cent. Bonds of 1991/1995 with Warrants by the Company on 31st May 1991 with the initial subscription prices per share of Yen 1,487 determined on 21st May 1991, being less than the current market price per share of Yen 1,587.70 as at the date of such issues, the Company has adjusted the Conversion Prices of the Bonds as follows:

1. U.S.\$50,000,000 6-1/2 per cent. Convertible Bonds Due 1995
 - 1) Conversion Price before adjustment: Yen 528.25
 - 2) Conversion Price after adjustment: Yen 526.40
 - 3) Effective Date of the adjustment: 31st May, 1991
2. U.S.\$50,000,000 7 per cent. Convertible Bonds Due 1997
 - 1) Conversion Price before adjustment: Yen 537.70
 - 2) Conversion Price after adjustment: Yen 534.90
 - 3) Effective Date of the adjustment: 31st May, 1991
3. U.S.\$100,000,000 3 per cent. Convertible Bonds Due 2000
 - 1) Conversion Price before adjustment: Yen 1,182.70
 - 2) Conversion Price after adjustment: Yen 1,176.50
 - 3) Effective Date of the adjustment: 31st May, 1991

CANON INC.

7-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo

12th June, 1991

Notice to the WARRANTHOLDERS of

CANON INC.

(the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company issued in conjunction with

U.S.\$300,000,000 3-1/2 per cent. Notes 1992
U.S.\$200,000,000 3-1/2 per cent. Notes 1993
U.S.\$1,000,000,000 4-1/2 per cent. Notes 1993

"Adjustments of Subscription Prices"

Notice is hereby given pursuant to Condition 7 of the Terms and Conditions of the Warrants that as a result of the issuance of U.S.\$370,000,000 4 per cent. Notes 1995 with Warrants and DM 600,000,000 4 per cent. Bonds of 1991/1995 with Warrants by the Company on 31st May 1991 with the initial subscription prices per share of Yen 1,487 determined on 21st May 1991, being less than the current market price per share of Yen 1,587.70 as at the date of such issues, the Company has adjusted the Subscription Prices of the captioned Warrants as follows:

1. Warrants issued with U.S.\$300,000,000 3-1/2 per cent. Notes 1992
 - 1) Subscription Price before adjustment: Yen 1,211.80
 - 2) Subscription Price after adjustment: Yen 1,205.50
 - 3) Effective Date of the adjustment: 31st May, 1991
2. Warrants issued with U.S.\$200,000,000 3-1/2 per cent. Notes 1993
 - 1) Subscription Price before adjustment: Yen 1,211.80
 - 2) Subscription Price after adjustment: Yen 1,205.50
 - 3) Effective Date of the adjustment: 31st May, 1991
3. Warrants issued with U.S.\$1,000,000,000 4-1/2 per cent. Notes 1993
 - 1) Subscription Price before adjustment: Yen 1,398.20
 - 2) Subscription Price after adjustment: Yen 1,390.90
 - 3) Effective Date of the adjustment: 31st May, 1991

CANON INC.

7-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo

12th June, 1991

EUROPEAN INVESTMENT LOCATIONS

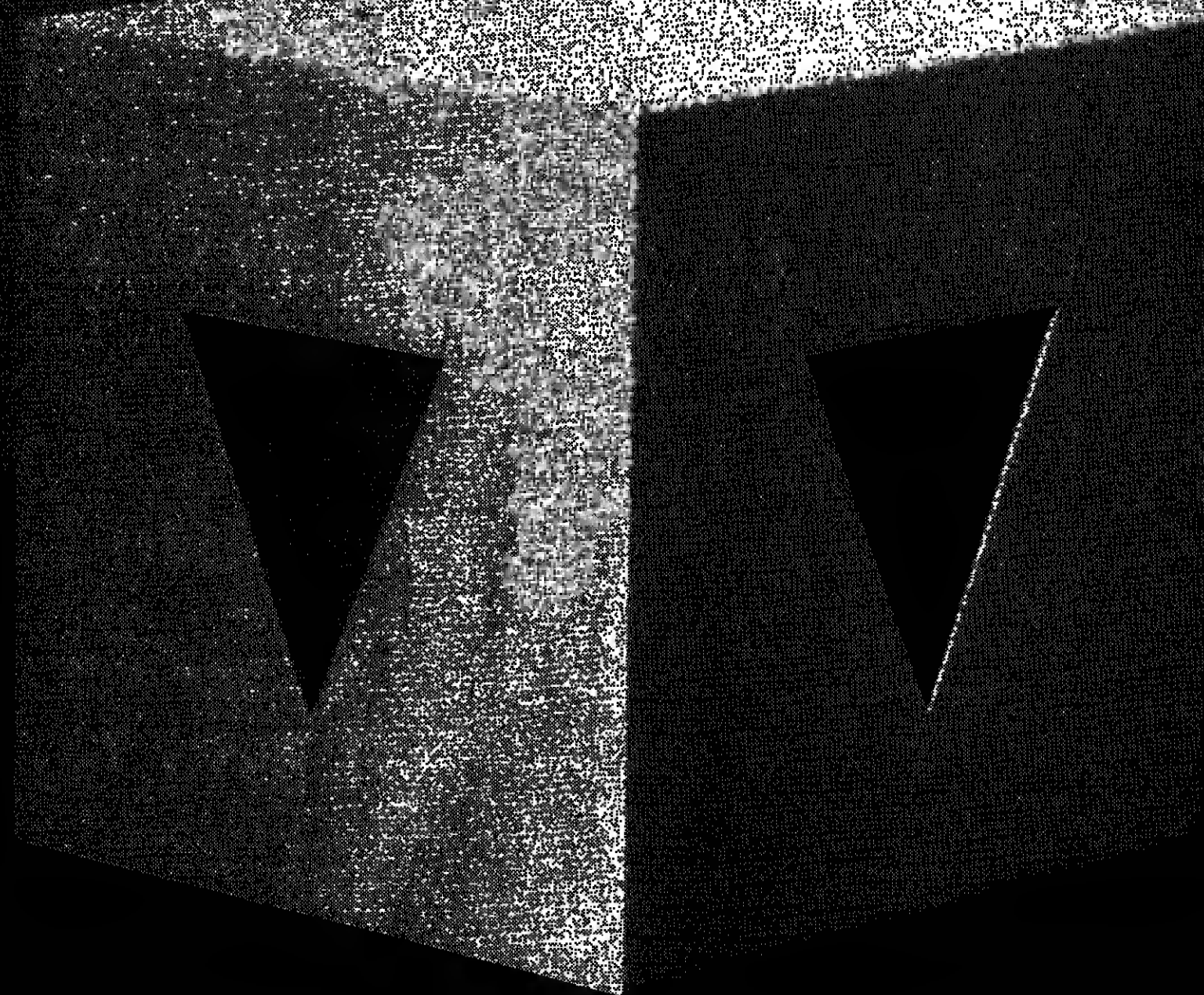
The FT proposes to publish this survey on July 4th 1991.

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Data source: Chief Executives in Europe 1990 & EBR 1989.

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MANAGEMENT

Metallgesellschaft

Time for a pause in a flurry of activity

The acquisitive German group is seeking to increase its technological base and its 'green' activities. Andrew Fisher reports

Life has become hectic at Metallgesellschaft, the once staid metals, mining, engineering, and chemicals group. No longer do executives hurry home to catch the early evening cocktail hour in the Taunus hills outside Frankfurt. Setting the demanding pace is Heinz Schimmelbusch, a mercurial 46-year-old who became chief executive two years ago. While some managers may find his whirlwind energy and hard-driving style rather wearing, there is no doubt that his lively enthusiasm marks a refreshing and irreverent contrast to the cautious, understated style of most chief executives in Germany.

In recent weeks, Metallgesellschaft has bought the Zimmer chemical fibre plant manufacturer from Davy Corporation of the UK and helped to finalise plans for the clean-up and rehabilitation of a big slice of eastern Germany's polluted industrial landscape.

Along the way, Daimler-Benz snapped up 10 per cent of its shares when Dresdner Bank decided to reduce its holding to 13 per cent. This unexpected move by Germany's largest industrial group was a clear vote of confidence.

Nor was this latest flurry of activity anything new. Over the past year and a half, it has floated off a minority of its recycling subsidiary, Berzelius Umwelt-Service (BUS), raised BUS's stake in Horachhead Resource Development, a US recycling specialist, to 45 per cent, bought the Lentjes energy and environmental technology company, and lifted its holding in MIM Holdings, the Australian mining group, from 4 to 10 per cent.

There have been other deals, too, as Metallgesellschaft has sought to widen its technological base and give its "green" activities a stronger impetus. The Austrian-born Schimmelbusch expounds in an animated fashion about all of these moves, whether in his office or in his favourite Italian restaurant. He waves his arms in emphasis, jumps up from his chair to draw diagrams, and grins slightly as he explains strategic highlights.

He becomes especially excited when the subject is the



Heinz Schimmelbusch: a balance between collecting new poles and putting up a tent

group's rapid growth in the fields of recycling and environmental clean-up or its plans in eastern Europe, where it has long-standing engineering and trading links, especially in the Soviet Union. Daimler's stake reflects its interest in both aspects; it wants closer access to car-recycling techniques and is keen to join in the conversion of Soviet defence industry plants to peaceful uses. (Another big shareholder is Kuwait with around 20 per cent.)

When Schimmelbusch joined the board 10 years ago - he has been with the company for 20 years - Metallgesellschaft was a lacklustre collection of metal-processing plants, mines, and engineering operations which had fallen on hard times. It did well in the 1970s, but then made big losses in metals trading, manufacturing, and plant construction, and omitted dividends between 1982 and 1985.

Since then, Metallgesellschaft has shed loss-makers such as a big metal-forming plant in Frankfurt, streamlined and decentralised its management structure, developed its international links, and marketed its environmental know-

how more aggressively. In its last financial year to September 30 1990, net profits jumped by 28 per cent to DM242m on a virtually unchanged turnover of DM20bn.

Even Schimmelbusch thinks it is now time for Metallgesellschaft to take a breather. "You have to draw a balance between collecting new tent-poles and putting up the tent," he says. "There is a constant struggle to make acquisitions work. We are aware that we must be careful not to overstrain the company's ability to manage its operations." Thus he foresees greater short-term emphasis on project work and internal investment and less on acquisitions.

At the same time, he wants to be alert for new opportunities. The group was quick to snap up Zimmer when Davy's problems caused it to put it up for sale, along with Davy-Bamag, a builder of water and waste treatment plant. Metallgesellschaft bought both for around DM230m. They will fit in neatly with the activities of Lurgi, its big industrial plant manufacturer.

The way the Zimmer deal took place and the group's plans for its new acquisition

neatly illustrate Schimmelbusch's way of doing business. Firstly, there was the speed of the transaction. Metallgesellschaft had had its eye on Zimmer, also based in Frankfurt, for some time. So when the opportunity came, it moved fast, edging out other interested companies.

In this Schimmelbusch was helped by the fact that he knew Sir Alastair Frame, the chairman of Davy, in his capacity as chairman of RTZ, the mining concern. Schimmelbusch's relatively high profile, compared with many of his counterparts in German industry, is to his advantage when trying to keep abreast of new opportunities. His open approach is also a legacy of the two years he spent in Wall Street investment houses, something the former economics teacher at Tübingen University insisted on when joining Metallgesellschaft.

"There are times when you want to work on the synergies from previous acquisitions," he says. "But when a company like Zimmer comes along, you have to take it, or else the competition will." Because Zimmer has a strong position in the market for chemical fibre

plants, much of which is in the Far East, it will keep its identity within the group. Thus Zimmer, also involved in plastics recycling, will not be swallowed up by Lurgi, but become a separate unit in the subsidiary, keeping its own name and management.

Although Schimmelbusch has presided over a considerable expansion in Metallgesellschaft's core activities, he is wary of creating subsidiaries that are too big. "The optimum size of a manageable unit is much smaller than people think. Setting large monolithic organisations into motion and getting them to act entrepreneurially can be painful. You have to watch the limits of growth." Small businesses grow faster, he notes. "We are trying to stimulate the entrepreneurial spirit of many small companies."

At the top of Metallgesellschaft are two central divisions. One is Lurgi which, with a turnover of DM1.8bn in 1989-90, forms the engineering services division. The other is trade and financial services which account for more than half of turnover and include dealing in ores, metals, and chemicals, as well as its bank, Metallbank; low metal prices and the low dollar hit profits of this division in the first half of 1990-91.

Below this level are eight operating sectors: BUS, Lentjes, Norddeutsche Affinerie (copper), Rheinische Zink (zinc), Lehmker (transport), chemicals (Sachtleben Chemie and Chemetall), Kolbenschmidt (motor components), and Metallgesellschaft (MMC). As well as BUS, both Kolbenschmidt and MMC are quoted companies, the latter in Toronto. MMC, which includes the group's US, Canadian, and other mining holdings, had a hard time last year as a result of low prices and smelter problems at Vancouver-based Cominco. Kolbenschmidt is also suffering lower profits in the chillier economic climate.

In the first half of this financial year, Metallgesellschaft's pre-tax profits were down by 28 per cent. "This is not surprising considering the general economic climate," Schimmelbusch calmly told the annual meeting. Analysts expect a

much better second half, now the damaging effect of the Gulf war on economic confidence has receded. Even so, the downturn emphasises that the group is still vulnerable to metal prices, the vicissitudes of the mining industry, and adverse currency movements.

This makes it even keener to stress its "green" ambitions, something it does assiduously among the investment community. Although its BUS recycling operation is already a quoted company, it is still developing its activities, centring mainly on the reprocessing and resale of waste from steel and aluminium manufacture. Turnover should be around DM100m this year and grow sharply in future.

There are also considerable environmental activities in Lurgi, which plans to float off part of its environmental unit, Lurgi Umwelt-Beteiligungs-

gesellschaft (LUB). Currently, LUB has DM200m worth of soil decontamination business. Jens-Peter Schaefer, Lurgi's chief executive and a Metallgesellschaft director, reckons LUB could be kept busy for the next 20 years with business in Germany alone, especially in the east-Lurgi and BUS will play important roles in the metal-producing area of Mansfeld, which Schimmelbusch was instrumental in arranging with the Treuhänder (the east German privatisation agency), the Bonn government, and the state of Saxony-Anhalt.

If this trail-breaking venture proceeds beyond the study stage, it could involve business worth DM1bn or more to Metallgesellschaft and its partners. Schimmelbusch does not want to go too quickly on this complex project, "otherwise it will become unmanageable and fall apart".

For Metallgesellschaft, Mansfeld would provide a ready-made site, something that would take years to get approved in west Germany. It would also draw on the group's full range of industrial skills and serve as a model for the reconstruction of other parts of east Germany and eastern Europe - something which really produces a gleam in Schimmelbusch's eyes.

One way to run a railway

By Christopher Lorenz

Imagine you have achieved every (middle-aged) schoolboy's dream: running your own railway.

It is a relatively simple set-up, with a single terminus at one end and separate branches to three destinations at the other. You operate a schedule with a train every two minutes, to each of the three destinations in turn, so that each is served every six minutes.

But your rolling stock is getting old and unreliable. A shortage of funds is forcing you to run the system without spare capacity. Some of your crews have a natural human habit of falling sick or arriving late for work. Overcrowding at several stations also tends to make trains run late, as do intermittent safety emergencies of various kinds.

As a result, there is a tendency for gaps to appear in your service - sometimes knocking-out, or delaying, up to five successive trains to one destination, so that passengers to it may be faced with a wait of well over half an hour.

What do you do? The long-term solution is obviously to beg, borrow or earn more money to replace the trains and increase their number. But, even if you can raise those funds, you are left with an interim problem which will last several years.

The schoolboy answer to the immediate difficulty is pretty obvious: to run the system more flexibly, plugging big gaps in the service to one destination with a train originally bound for one of the others - and telling passengers why.

In real life, London Underground faces such problems frequently, to judge from first-hand experience, not merely on its most notorious service, the north-south Northern Line (known for decades to regular users as "the misery line") but also on supposedly reliable routes such as the east-west District Line.

Sometimes the once hide-bound managers of the Underground seem to have learned to behave like schoolboys, and plug gaps in the obvious way described, but far too seldom. When such manifest incompetence occurs so often, one

must dispute the conclusion, which some people draw from last week's Metropolitan and Mergers Commission report that only more cash can really cure the erratic service from which London suffers. The Commission made 116 recommendations for various management improvements.

So long as the Underground continues to be understaffed - and for several years beyond, while the results of new investment come through - the solution must be to turn the problem into an opportunity: to abandon the pretence of normality and operate the service much more flexibly, as if abnormality was a common occurrence, or even the norm.

In the wider world of management, all sorts of organisations are learning to do this in the face of unstable environments of various kinds - regulatory, economic, competitive or even climatic.

A long way to go

This is no easy task in an organisation so relatively poorly skilled at all levels in the past as London Underground. For a more flexible approach to be both feasible and effective, without creating chaos, middle and junior management must be properly trained - and then fully empowered to take quick decisions at a low level, rather than still having to refer upwards in traditional public sector style.

The Underground has already taken a step in this direction by decentralising the management of its various lines. As the MMC report also pointed out, a "total quality management" programme is also starting to reach front-line staff. But the quality of "normal" service, let alone the response to "abnormal" problems, shows that there is still a long way to go.

If the Underground can respond to this challenge - and some of the decisions involved really are quite schoolboyish - then its customers will enjoy a much more reliable ride. And, who knows, the organisation could even become a management model for others to emulate. Dream or nightmare?



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BUSINESS AND THE ENVIRONMENT

KPMG undertakes its own green audit

It is at first difficult to see the connection between the appearance of green bins in the London offices of KPMG Peat Marwick McLintock and the instruction from the firm's senior partner in charge of south-east England, Colin Sharman, that no memo may be issued on general circulation without permission.

Each represents part of the firm's two-pronged initiative to reduce paper consumption and recycle its waste paper.

These schemes were once the preserve of idiosyncratic businesses and voluntary organisations. But now bigger companies, including IBM, BT and British Gas, are recycling and conserving paper too.

Most do it as part of a commitment to improve their environmental performance - considered by most companies as a business necessity. KPMG has demonstrated that paper recycling schemes can both save and make money.

The programme, started as a pilot in August last year, now collects about 80 tonnes of high-grade white office paper from the firm's 4,000 employees located in seven London offices.

The paper scheme is part of the firm's Green Code, a policy designed to improve its environmental performance by reducing waste, cutting energy consumption, using environment-friendly products and reducing pollution from its vehicles.

While the code represents a genuine commitment to reducing its environmental impact, the firm's management consultancy now also offers an environmental service. Its success at achieving its own green targets is important to the marketing of this service.

Besides Sharman's directive on memos, other measures have been taken to reduce paper consumption. All papers prepared for the board are copied on both sides. Photocopiers capable of double-sided copying have been installed and these models will eventually replace most of single-sided copiers.

There is a downside here," says Martin Houldin, who is in charge of green issues. "Double-sided copiers are mechanically more complicated and also take a longer time to produce copies."

Sharman has also instituted

a "Friday Bulletin" on the computer network. This is an electronic newsletter delivered to computer screens. Most paper memos which used to be circulated to all the staff via the post room are now delivered electronically on the bulletin.

Sharman's commitment to the scheme has helped to drive it along. He has been known to call managers into his office to question the need to circulate some memos. "Most of what we do is by facilitation and demonstration," says Houldin.

Waste paper is deposited in special green plastic bags suspended on simple metal frames. Cleaners collect the bags when full and leave them for collection by Papercycle, a company contracted to remove it for recycling.

Papercycle offers a recycling consultancy and a free collection service for companies with sufficient volume. It makes its money by selling the paper on the scrap market. Because of KPMG's high volumes, Papercycle pays for the paper on a scale linked to the market price.

When the scheme began high-quality scrap paper was reaching about £40 a tonne. This has now dropped to about £20 a tonne, although Papercycle's managing director, Colin Crooks, expects the price to increase as the market for recycled paper improves.

Even with the current low prices for scrap, KPMG expects its scheme to break even within the next six months. All subsequent profits will be given to charity. But the firm is also expecting real savings from its moves to reduce the volume of paper used.

Houldin stresses that the success of these schemes depends on efficient organisation and a high awareness among staff. The aims of the scheme are communicated at staff meetings and through posters.

Sharman sees the process as evangelical. Although many staff are already keen to save and recycle paper, most start off as agnostics. A manager's job is to take them through the process of becoming converts and finally zealots. The zealots then continue the education process within the office, reducing management input.

Peter Knight



Clive Cookson reports on schemes to combat urban colour pollution

Colour pollution is a term coming into vogue among landscape architects. It does not refer, as one might expect, to pollution of rivers and watercourses by dye and pigment manufacturing, but to the ill-considered use of colours on buildings. Most shopping streets in the industrialised world contain glaring examples - gaudy shop fronts clash with one another and overwhelm the traditional local environment.

"While most of us have welcomed the colour revolution that has followed the grey austerity of the post-war years, it is also to be deplored for the confused and meaningless messages it can sometimes convey," says Michael Lancaster, architect and colour specialist. "In this sense colour can be regarded as a potentially disruptive and polluting force."

The problem is a result of the explosion of synthetic colours produced by the chemicals industry. More than 8m colours have been synthesised and 9,000 are currently in production. Although the chemicals industry is indirectly responsible for colour pollution, it is also beginning to see the problem as a potential marketing opportunity.

Akzo, the international paint company based in the Netherlands, is leading the way. It is working with cities across Europe to develop "coherent colour palettes" for their buildings, based on local traditions.

Turin in Italy has the most extensive scheme, says Cees Groenewegen, special projects manager at the Stikens Foundation, Akzo's colour research organisation. Over the last 10

Goodbye to grey

years the owners of 10,000 buildings in Turin have agreed to follow the approved colour scheme. In exchange they receive a paint subsidy from the city government.

A large project is now under way in Barcelona, Spain. And Akzo is starting a slightly smaller colour scheme in Norwich, England.

The Barcelona project is focusing first on the Rambla, the city's promenade which the poet Garcia Lorca called "the most exciting street in the world." The excitement is still there - the Rambla is always thronged with people and cars - but time, pollution and tacky commercialisation have taken their toll. Most of the original colours have been lost.

Now a mixture of Catalan pride and the imminence of the 1992 Olympic Games have prompted the city to restore the facades of the Rambla's 100-plus buildings to their former glory.

Research work started in 1980, as a co-operative effort involving Akzo, the city and several local architectural and art-historical bodies. The first phase was to collect detailed information about the way the Rambla used to look, from old

drawings, early photographs, paintings, letters and accounts of early travellers; at the same time the existing facades were analysed to show what lay beneath the modern coatings.

After establishing the colours and textures appropriate to selected buildings, comprehensive elevations were created and coloured in to distort the overall effect on the Rambla. This procedure led to a recommended range of colours: 26 for facades, 11 for those on which time paints had been used, and seven for "graffiti" (the techniques in which layers of different coloured plaster are selectively removed to create a multi-coloured bas-relief effect). Most of the colours are in the yellow-brown range.

Work started on the Rambla's first five buildings in April and the city hopes to finish the work before the Olympics. It will then move beyond the Rambla to an ambitious scheme for most of the city.

The Norwich project is also starting with a small historic area - Elm Hill, which was founded by Dutch wool traders. Akzo worked with the city council to draw up a draft "palette for Norwich" which is now

being applied to the 30 buildings of Elm Hill - all owned by the council.

The city expects to finish re-colouring Elm Hill by the end of this year. It will then move on to Timber Hill, where council-owned property is being redeveloped with commercial developers.

In Elm Hill and Timber Hill the city can impose the palette as the owner of the properties. In the third area - around Norwich marketplaces - it will have to persuade private owners to use the approved colours. "We've been not to force anyone to use the colours or to use Akzo paints," says Tim Anderson, the city's information officer.

Eventually there will be a palette for the whole of Norwich, adapted to suit the historical character of each area. In Market Square neutral colours are favoured, to suit the classical architecture and to act as a backdrop for the strong colours of the market stalls. In Elm Hill richer colours could be employed, especially in Tudor style, says Brian Robson, head of Akzo's UK colour design team.

As Robson observes, "a project of this nature must inevitably go far beyond design elements. We become involved with social and political issues. We need to reconcile the often conflicting views of personal freedom and social obligation."

The philosophy behind the attack on colour pollution is summed up by the French colour theorist Jean Philippe Lenclos: "If you want to paint the outside of your house, get your neighbour to choose the colours."

Chile puts a value on its waste water

By Leslie Crawford

Until recently, the waste water from copper mines was considered an ecological hazard. The water, used to slush away thousands of tonnes of sterile rock after the red metal has been extracted, contains high concentrations of sulphates, molybdenum and copper. It is unsafe to drink, expensive to treat and generates by far the biggest disposal problem for mining companies concerned with the environment.

But a pioneer project in Chile has just won an American environmental award for showing that the waste water, known as tailings effluent, can be safely used to irrigate crops. It has channelled the waste water of El Teniente, the largest underground copper mine in the world, to transform the barren valley in central Chile into a verdant patchwork of fruit orchards and vegetable plots.

El Teniente, located high up in the Andes, processes about 100,000 tonnes of ore per day. There is no space in the mountains to store the waste rock (tailings) so it is mixed with water and slurred down the rugged terrain to a new dam in the Carén Valley.

Recycling the water is not possible because of the difference in height between the tailings dam and the mine. Nor is it feasible to treat the effluent, as the dam discharges the waste water at a rate of 1,500 litres per second.

Originally, the state copper corporation Codelco planned to release the waste water into a stream that flows into a large hydroelectric reservoir. But US environmental consultants Dames & Moore proposed a different solution: why not use the effluent for agriculture, transforming the waste water into a valuable resource for the barren valley?

Codelco was enthusiastic. It established a 10-hectare experimental farm with crops known to tolerate metals and sulphates. The original crops included alfalfa, wheat and corn. And the encouraging results prompted further trials with asparagus, beans, green peppers, onions, melons, nectarines and pears. Cattle, sheep and rabbits are also raised on the experimental farm.

Jahna Illanes, Dames & Moore's chief consultant in Chile, believes the Codelco project is the first scientific study into the use of untreated tailings effluent in agriculture. "All the products - asparagus, milk, apples, fruit and vegetables - as well as the quality of the soil, are monitored for the concentration of metals," he says.

After four years, the results are encouraging. Only beans and chilies are not safe to eat. In other crops, the copper and molybdenum appears to concentrate in leaves and stalks, rather than in the edible parts.

The experimental farm earned Dames & Moore an Engineering Excellence Award from the Consulting Engineers Council of the state of Utah. After four years of rigorous quality control, Codelco is now ready to test productivity on a commercial scale at a larger estate in the Carén Valley.

"So far we have had very high yields with alfalfa, while other crops are growing normally," says Jahna Illanes, the environmental control manager at Codelco's El Teniente division.

Aljaro is travelling to Europe this month to present the results of another novel environmental project: the reforestation of old tailings dams which had been previously considered too sterile and acid to bear plant life.

But after a 10-year effort, Aljaro has succeeded in creating a small forest in a section of the Campanas tailings dam. There are now 34 different kinds of trees, shrubs and grasses growing there - evergreen cypresses, eucalyptus, pine, rosemary bushes, acacias, as well as wheat and barley.

At first, careful irrigation and treatment of the soil was needed, but now Aljaro says that the 20-hectare site has developed an ecosystem of its own. "What we have been able to prove is that one can reforest almost any kind of tailings dam, even ones considered totally sterile," he says.

El Salvador, a Codelco copper mine in the Andean desert, is now keen to start its own irrigation and reforestation schemes. Although El Salvador will have to find ways to counteract the extreme salinity of the desert soil, Aljaro says: "Nothing is impossible."

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ARTS

Idomeneo

GLYNDEBOURNE

This season's *Idomeneo* at Glyndebourne is appropriately dedicated to the memory of the late Richard Lewis, the tenor surely more closely associated with the opera's title-role than any artist since Anton Raffi, for whom Mozart wrote it. Trevor Nunn's production of 1988 has been directed by Stephen Bayne. Graeme Jenkins conducts the London Philharmonic. As in *Death in Venice* he shows the knock, not possessed by every Glyndebourne conductor, of filling that tone-drier of a pit with warm, vital sound. He did this to grand effect on Monday in the first two acts. After the interval the drive sometimes slackened and, for example, Ila's "Zeffiretti lusinghieri" and Arbace's big accompanied recitative were a shade too leisurely.

Kethi Lewis, the new *Idomeneo*, pupils as well as near-namesake of his distinguished predecessor, is most promising. The wretched king's troubles are conveyed with natural dignity, the voice is clear, sweet and supple enough to bring off an ambitious cadenza in "For del mal". Lewis did the abdication speech well enough to make one regret the absence of *Idomeneo's* final aria. He is matched by an Ila of exceptional quality in Sylvia McNair, whose finely sung line is full of colour not least in the all-important recitatives. She moves with unusual grace. Her stillnesses are eloquent. Otherwise, apart from the sound High Priest (Kim Begley), Arbace (Robin Leggate) and Voices of Neptune (Peter Rose), the casting was uneven.

Mozart rewrote the part of Idomeneo the king's son (originally for male soprano) for a single, mainly amateur performance in Vienna. If he had been able to carry out his intention of a thorough revision giving the role of the king to a bass, the change would have worked better. As it is, the more I hear of Glyndebourne I additionally prefer, the more I long for mezzo. Four tenors in the last act is simply too much. John LaPier's well-covered, rather sentimental college boy of a Cretan prince did not change my mind in spite of his agreeable timbre.

The Elzira, Stephanie Friede, also American and an experienced performer, projected an unsuitable view of the character. The dramatic first and last solo passed muster but, like many sopranos she was unhappy with the role's danger spot, the middle section of the *scilicet* chorus - a treacherous twenty bars needing perfect command of legato in the middle register. Though the full tension of the sacrifice scene has not yet been recaptured, the chorus was as lusty as ever.

Nunn's serious, carefully thought-out staging had real merits, yet it was a partial view of this many-layered, inexhaustible opera. Designed as a festive work, *Idomeneo* came out more than that, but the festive elements, the spectacle and the ballet (which Mozart, who cut so much, refused to leave out "because I love it so") must be represented. In the revised, murky lighting both set and costumes make a depressing contrast with the clean, singing colours of the Paris *Enfance* already described here. As for the two little dances we allowed, their inclusion in a performance on this level is hard to credit.

Ronald Crichton

TELEVISION

The best of the bunch in Banff

The story so far: British programmes makers entered 21.4 per cent of the 500 programmes at the 12th Banff Television Festival. Of the 159 programmes selected by the festival committee to put before the international jury, 32.4 per cent were British. When the jury announced the programmes they were shortlisting for prizes 47 per cent were British. Last week's column, written from inside the jury room, ended with the cliffhanger question, could the British sustain their seemingly inexorable progress and win more than 50 per cent of the prizes against competition from the rest of the world?

Yes, they could. Not only did British programmes take the prize in six of the 10 categories, raising their success rate to 60 per cent, but the BBC's mini-series *Portrait of a Marriage* then received the Grand Prize of the Festival, the one which is awarded internationally and remembered in later years. Having already won the Grand Prize in 1982, 1985 and for the past three years consecutively, Britain now has a record of six, the next highest national total, Italy's being two.

The category prize winners were: Arts Documentaries: *Bookmark: From Moscow To Plesetsk*, BBC, UK. Children's Programmes: *The Little Kidnappers* Jones Mapple Leaf Productions and CBC for the Disney Channel, Canada. Comedy: *The Curse of Mr Bean*, Tiger Television for Thames, UK. Continuing Series: *Les Filles de*

Caleb, Cité-Amérique with SRC, Canada. Features: *Changing Step*, BBC Scotland, UK.

Mini Series: *Portrait of a Marriage*, BBC with WGBH Boston and TV New Zealand, UK. Performance: *Memento*, Slovak TV Bratislava, Czechoslovakia. Popular Science Programmes: *The Trials of Life: Hunting* and *Escaping*, BBC Bristol, UK. Short Dramas: *In The Border Country*, Little Bird Productions for Channel 4, UK. Social And Political Documentaries: *The Civil War*, Florentine Films for PBS, US.

There were also two special jury prizes, the first of which we awarded to Canadian Joyce Borenstein for her enchanting and original use of animation in *The Colours of My Father*, and the second to Tomas Dillen and Anders Rindboe for the courage of their animation in the Swedish documentary *The Law of The Jungle* which enabled those involved in an appalling pattern of terrorism and virtual slavery in Brazil to tell their own story.

Two categories proved relatively easy to judge. In children's programmes our shortlist contained a moral tale from Canada called *Maggie's Secret* which sought to lighten the load on teenagers saddled with alcoholic parents; the acting was fine but the script sounded like something concocted by a committee of psychologists. There was also *Ralph S. Mouse* from the US, using splendid technique to mix live action and animation, but with a surprisingly boring

story. So Canada's glossy 94-minute movie, *The Little Kidnappers*, starring Charlton Heston in a period costume drama about two young Scottish orphans and their puritanical grandfather in Nova Scotia, pretty well selected itself.

Comedy was also comparatively straightforward. Three of our four short-listed contenders were British: *Eale And Pace*, *A Night On Mount Edna*, one of the outrageous Edna Savage chat shows, and *Mr Bean*. The other finalist was an extraordinary Australian programme called *The Money Or The Gun: International Year Of The Patronising Bastard* which challenged public embarrassment and condemnation in the subjecting them to as much ridicule as anybody else. Though we admired its courage most of us on the jury felt it odd to categorise this as a comedy. As it was, Rowan Atkinson's laterday Harold Lloyd character, Mr Bean, with his silent comedy routines, walked away with the award. It is difficult to believe this was the funniest programme on British television in the past 12 months, never mind in the world, but seven viewers of different nationalities could, and did, watch and laugh simultaneously.

In the other categories there was considerable agonising over the winners. For example in Features, while many of us admired Canada's bitter-sweet profile love story, *Getting Married In Buffalo*, some felt it was flawed by script anomalies, and although we were deeply impressed by Germany's technically superb

Simonon mystery, *Another Lover*, several of us suspected the surface concealed a lack of depth. But then the BBC's odd story of limbleless servicemen and class divisions in Edwardian Scotland, *Changing Step*, could hardly be described as flawless; it suffers from several longeurs. Was it really the best of the bunch? After much discussion we decided it was.

In Social And Political Documentaries there were differences between those who felt that heart should count as much as head, and who wanted to give the prize to Canada's *Born In Africa* about a popular singer dying of AIDS, or to Sweden's *Law Of The Jungle* about terrorism in Brazil, and those like me who argued that *The Civil War* was by far the most outstanding example of documentary programme making, however conventional, with its mastery use of photographs, old letters, music and sound effects, and virtually demanded the award.

Perhaps our least difficult decision was to give the Grand Prize to *Portrait of a Marriage*. In an odd way the BBC was almost at an advantage here in dealing with such an obviously difficult topic (Ota Sackville West's lesbian love affair). Having avoided the pitfalls of crassness on the one hand and exploitation on the other, all the BBC's strengths came into play: script by Penelope Mortimer, wonderful acting from Janet McTeer and Stephen Rea, and rightness in all the details from locations to costumes.

With British programme makers dominating the prize categories in such an extra-



Scene from the BBC's Grand Prize winner, 'Portrait of a Marriage'

ordinary way, are we obliged to concede to our more gung-ho broadcasters and politicians that British television is the best in the world?

It is not necessarily so. Festivals such as Banff concentrate on specific programme categories. There are no prizes here for news, current affairs, sport, game shows or soap operas. Perhaps those are all done better elsewhere, though experience suggests otherwise. Furthermore, however hard the organisers may strain to avoid it (and Canadians with the Québecois factor try harder than most these occasions are decidedly Anglophobic: English is becoming as much the international lingua franca of television as it is of medicine or air traffic control; but maybe Chinese television is, secretly, the best in the world. Then again,

maybe not. These are, anyway, pretty weak arguments. We expect to see a medium of expression by its highest forms, not by its mass popular aspects: nobody ever suggested the literature of country X was great thanks to the standards of its magazines or the art of country Y especially notable because of its splendid postcards. So drama and documentary, arts and science programmes must, of course, loom large in the estimation of television quality. That being so, British programmes - judging by their unparalleled success in the past nine months at the Prix Italia (the most important in Europe), the Reims Festival, and now Banff (the most important in North America) - can indeed claim a very high ranking.

The strength of British television is brought home to you dramatically when you watch two editions of Anglia's *Survival*, first Alan Root's "Bare Be Dragons" with its astounding sequence of a crocodile catching a wildebeest, and then "The Secret World Of Bats" with similarly amazing photography, and you think "Well nothing can possibly beat those". Then you watch *Trials Of Life* featuring the marauding killer whales of Patagonia, snatching sealion pups off the beach, and realise how wrong you were. Finally you realise that this, too, is a British programme, and it becomes very difficult indeed to deny that Britain does, truly, make outstanding television.

Christopher Dunkley

Intermezzo

KAMMERSPIELE, HAMBURG

Ask for theatrical nostalgia and, before you can say *fin de siècle*, the British will mount Oscar Wilde or J.M. Barrie, the French will come up with *Cyrano* and the Germans will trumpet Arthur Schnitzler, as decorous as the best of them but distinctly tonic in his choice of kicks: not class or romance but sex in the head, Freudian intuitions, Schnitzler and Freud were friends - unconscious motivations. Catch these nerve strains, and a Schnitzler production can seem up-to-date and challenging; lose them in mannered comedy and you have a period piece of stylish but empty charm.

Hamburg has the latter. "I have a certain respect for people who go to the theatre in summer," says a character in *Intermezzo*, to the cheers of a flattered audience. Gerd Bockmann pinpoints the summery mood with birdsong, piano tinkling in the conservatory, the patter of an evening shower, as the lights go on in the music room. Women, long-necked and confident, float in like swans; men answer,

like willowy reeds, graceful, accommodating, fatally lacking backbone. Oh, those decadent Viennese! Each glance and cadence exchanged between composer Amadeus (Peter Sattmann) and his opera-singer wife, Cecilia (Birgit Doll), has the delicacy and poise we associate with the time and place, and since the characters are on a self-conscious choreography of their own lives, Bockmann's production is not without psychological sense.

The trouble is that the psychology never develops. Amadeus lives and lives to avoid greeting boredom face-to-face; Cecilia fancies creative fulfillment; and both believe in their own planned operatic marriage. Illusions should come when these second-best ideals collapse, but here the finely agonised monologue, the screeching marital row, are stifled within one of the most conservative, stagey stagings I have seen in Germany.

Elbows rest on piano-tops, tunes stop mid-crescendo, characters storm out of doors and turn back, just when you expect

them to cigarette and are noisily rolled and lit and slightly smoked. Buss, Reethoven, Wagner and others tower over the action; between them, a space is left, presumably for Amadeus' own marble head to join them. Sattmann is suitably self-important as the composer; Ms Doll returns his patronising tolerance with gusty politesse. His was loosely based on Mahler, she on Schnitzler's wife, Olga, and there's a tantalising hint of eroticism and yearning, that echo of Klimt and Mahler that Schnitzler always suggests in these performances, but mostly Sattmann and Doll pause and pose and pace up and down without shedding light on the personal aspect of their debate. Is a liberal marriage liberating for men and unliberating for women? How narrowly is each sex locked within his or her gender vision? Schnitzler's pet subjects are still being discussed today, but not on the Hamburg stage.

Jackie Wulfschlagler

Japan in Aldeburgh

SHARP CONCERT HALL

This is an East-meets-West double bill: first a traditional Noh-play, *Sumidagawa*, played by a troupe from Osaka, and then the British "church parade" it inspired - his 1964 *Curlew River* - sung in English by the Hayashi Company, with British instrumentalists led by Stuart Bedford. (Frasco-worthy sponsorship for the former by the Great Britain-Sasakawa Foundation, and by Sanyo for the latter.) Excellently bold idea, in principle, in practice certainly "interesting" but a long slog, and not very moving. The aesthetic singularity of East and West don't meet easily.

In Tokyo in 1966, *Sumidagawa* made a crucial impression upon Britten, who went on to write a trilogy of "church parables" on this model. Its story is stark and simple: a mother, deranged by grief (and played by a male actor) crosses a river by ferryboat to find her lost son's grave. By prayers she conjures up his spirit; but she cannot touch him, and at dawn he vanishes. Though the story is stark and simple, it falls silent like the drums for the central dialogue of Mad woman and sage Traveller, where we are back with opaque, foreign, singsong verse - far more foreign than, say, any Racine *trois*, in which the "natural" dramatic inflections should be palpable even to non-French-speaking Europeans.

The loyal Hayashi performance of *Curlew River* does Britten no favours. Their English is surprisingly good and so is their singing, but the bonus of forthright delivery, innocent of British ecclesiastical tones (which were endemic among Britten's own chosen voices). The band is first-class, with inspired moments from Sebastian Bell's flute and Richard Watkins's superlatively staunch horn. What we notice most, however - because she isn't there - is Britten's pithos-laden Madwoman.

Though Tadashi Hosokawa sings her expertly and musically, he also makes us realise how much the role depends upon - affecting - Western nuances. For all I know, he may write Japanese waltzes to the point of unbridled tears; but to a Western ear he sounds like an "right, unaccompanied character" and his extraordinary gestures suggest melodrama rather than numb grief.

That isn't a complaint; but only an observation about how place-bound the sense of human gesture is, and no less, it seems, the sense of Britten's dramatic, writing for voice. It presupposes unwritten music; if the tenor can't measure himself against our local dramatic conventions he won't wrench our hearts, for the literal music doesn't tell him precisely enough how to do a Peter Pears. Hosokawa has distinguished support nonetheless from Makoto Noda as the wise Abbot, and from Tatsuji Yoneda's rude Ferryman. We miss only the sense of real, irrecoverable loss.

The spectre of the lost 12-year-old son is carried over from *Sumidagawa*: a very small boy, in white grave-clothes and a great black mane (standard Japanese iconography for the restless dead), has here an offstage treble voice, too uncertain to make its due effect. His doomed reunion with Mother is a tame event, and the new idea - that it should restore "her" to pious sanity - is barely signalled. Japanese eyes and ears may respond differently, but I doubt that ours will. Britten's ultra-professional music needs a kiss of raw life which never comes.

David Murray

Cops

GREENWICH THEATRE

Mark Baker's book, *Cops*, is a chillingly effective journalistic antidote to the media's antised images of police officers. In the 30-minute chunks of prime time TV, it is chilling not simply in its unsparring presentation of the first-hand experience of policing New York, but in its portrayal of an ordinary workforce employed in the extraordinary work of maintaining a pretence of civilisation in streets far meaner than most of us could imagine them to be. Using bullets of anecdote, loosely grouped into areas of expertise, Baker conveys the variety of lives with common threads of fear and alienation from the ordinary realities of even their own families. There is no dramatization beyond the stories themselves, and no authorial presence beyond the inevitable editing and ordering of the material.

Bill Bryden's adaptation bravely and disastrously attempts to do the same on stage. Seven cops, seen in police car, lock-

er-room or bowling alley, regale each other with experiences which range from feverish to the skewed body of a child from a tree. Their anger and their paranoia point to the single concession to plot, which is the shooting of two of their number for no better reason than that they patrolled the wrong place at the wrong time. It was all too grim to begin with, and will no doubt shower the theatre with protests about obscenity.

The basic problem, though, is not the grisliness of language or description but the failure of the show as documentary theatre. The most obvious manifestation of this is Bryden's decision to represent the New York police force as all male. OK, so *Cops* and *Lacy* are out, but the absence of women from the best leaves as fundamental a gap as would have yawned had Bryden decided to cast the force as all

white. Even a token presence would have complicated the sexist banter, just as Alvaro Rose's portrayal of a smart black cop ironises his colleagues' dismissal of blacks as "seagulls" (they shoot all night, squawk all day, shit on everybody and are protected by the federal government).

However hard Bryden and his co-director Sebastian Graham-Jones have tried to give the unvarnished truth, the demands of staging have left them with a handful of characters shaped by a particular collection of experiences - from Tony Hayward's marmalade helix in domestic morality to Gary Love's emotional attempts to describe the indescribable aftermath of a road smash. Inevitably, perhaps, the play lacks the book's panoramic sweep, while at the same time denying itself a full dramatic life.

Claire Armitstead

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.00 Glen Wilson conducts Pierre Audi's production of Monteverdi's *Il ritorno d'Ulisse in patria*, with Anthony Rolfe Johnson as Ulysses and Graciana Araya as Penelope, also Fri and Sun. Tomorrow: Frane Brüggen conducts Idomeneo (8255 455).

BARCELONA

Gran Teatre del Liceu 21.00 Francisco Ariza, accompanied by Jean Lemaire, sings Die schöne Müllerin (412 1466).

BERLIN

Komische Oper 19.30 Ballett gale with extracts from La Sylphide, Swan Lake, Romeo and Juliet and others. Tomorrow and Sat: Tom Schilling's ballet Les Contes d'Hoffmann (2292 555). Staatsoper unter den Linden 19.00 Fabio Luisi conducts Die Zauberflöte. Fri: Rainer Goldberg sings Max in Der Freischütz. Sat: Tristan und Isolde. Sun: Madama Butterfly (2004 762). Deutsche Oper 19.00 Giacomo Aragall sings title role in John Dew's production of Faust, with

Inga Nalean as Marguerite. Fri: Il trovatore. Sat: Gialla. Sun: Franz Weiser-Moest conducts Jean-Louis Martinoty's new production of La clamanza di Tito (3410 249).

BOLOGNA

Teatro Comunale 20.30 Gustav Kuhn conducts Lorenzo Arruga's Italian-language production of Die Zauberflöte, also Fri and Sun. Tomorrow: Daniele Gatti conducts Strauss, Berg and Marco Tutino (529868).

BONN

Oper 20.00 Michael Boder conducts Jean-Claude Riber's production of Pelléas et Mélisande, with Malcom Walker and Angela Maria Blasi in title roles, Jean-Philippe Courtie as Arkel and Jean-Philippe Lafont as Golaud, also Sun. Tomorrow: Youri Vámos' production of Swan Lake (773667).

CHICAGO

Orchestra Hall 20.00 Gunter Wand conducts Chicago Symphony Orchestra in Schubert's Eighth and Ninth symphonies. Repeated tomorrow and on Fri at 13.30 (435 6666).

LONDON

MUSIC AND DANCE Covent Garden 20.00 Royal Ballet triple bill: Nijinska's Les Biches and Les Noces, plus Ashton's Scènes de ballet. Repeated tomorrow and Fri (240 1066). Coliseum 19.00 Josephine Barstow sings Katerina in revival of David Pountney's production of Lady Macbeth of Mtsensk, conducted

by Mark Elder. Warren Elsworth sings Sargal and Willard White la Borie. Also Fri (836 3181). Queen Elizabeth Hall 19.45 Christopher Warren-Green is violin soloist and conductor in a programme of French music with the London Chamber Orchestra. Tomorrow: Sir Arthur Bliss centenary concert. Sat: Chelsea Opera Group perform Puccini's La Rondine (928 8600).

Basilisk 19.00 Benjamin Tovey conducts London Symphony Orchestra in final concert of the 1991 Shal-LSO music scholarship for brass, in which six regional finalists perform solo and concerto movements (538 8891). Guildhall School of Music 19.00 Last performance of Patrick Libby's production of Delius' one-act opera Margot La Rouga end Poulenc's surreal comic fantasy Les Mamelles de Tirésias (638 8891).

THEATRE Musicals: Joseph end the Amazing Technicolour Dreamcoat, one of the early fruit of the Andrew Lloyd Webber/Tim Rice partnership, is revived tonight at the London Palladium in a production directed by Stephen Pimlott, with a cast led by Jason Donovan. Tango Argentina at the Aldwych is a stylish, sultry and anaragous song and dance show, built exclusively around the tango. Oscar Hammerstein's classic musical The King and I has been revived at Sadler's Wells for a limited run, starring Susan Hampshire and David Yip. At the Vaudeville, Dora Bryan stars in 70 Girls 70, a musical by Kander and Ebb, the writers of Cabaret and New York, New York. This is a West End premiere, and a transfer of last year's successful Chichester

Festival production. Previews this week, with press night next Mon. Phone Theatreline: Plays 0836 430959 Mueclaca 0836 430980 Comedies 0836 430991 Thrillers 0836 430982.

GOTHENBURG

Konserthuset 19.30 Hannu Kalvile conducts Gothenburg Symphony Orchestra in a programme including Tchaikovsky's Serenade for String and Ernst Krenak's Organ Concerto, with soloist Karin Andersson (167000).

MADRID

Auditorio Nacional de Musica 19.30 Frank-Peter Zimmermann, accompanied by Alexander Lonquich, plays Mozart violin sonatas (337 0100).

NEW YORK

MUSIC AND DANCE Metropolitan Opera 20.00 American Ballet Theatre triple bill, including Swan Lake Act II. Tomorrow, Fri and Sat: Vladimir Vasiliev's staging of Don Quixote (382 6000). New York State Theatre 20.00 NY City Ballet in a Balanchine triple bill. Tomorrow: Balanchine's Jewels (870 5570). Avery Fisher Hall 20.00 Andre Previn conducts Brahms' Academic Festival Overture and Mozart's Symphony No 39, with Andre Watts soloist in Previn's Piano Concerto. Also tomorrow, Fri and Sat (875 5030).

THEATRE

More Off Broadway: The Hunchback of Notre Dame is Everett Quinton's quasi-musical retelling of Victor Hugo's gothic

tale of the bell-ringer, the gypsy he loves and the avil archdeacon (Charles Ludum, One Sheridan Square, tel 691 2271). Jungla of Cities is Brecht's play, translated by Anselm Holifield, set in Chicago in 1912, where the main combatants fight to prove who's the better man (Theater-Studio, 750 Eighth Avenue, tel 719 0500). Pageant is a beauty contest, where judges are selected from the audience to vote for Miss Glamorousness, in a show conceived, directed and choreographed by Robert Longbottom (Blue Angel, 323 West Forty-fourth Street, tel 282 3333). The Substance of Fire is Jon Robin Baitz's witty and intelligent play telling of the struggle between an old-world father and his American children for control of their family-owned publishing house (Mainstage, 416 West Forty-second Street, tel 279 4200). For Broadway shows, Ticketron enquires inquiries and sells tickets (246 0102).

PARIS

Palais Garnier 19.30 Last performance this season of Opéra Ballet production of A Midsummer Night's Dream choreographed by John Naumalai, music by Mendelssohn and Ligeti (4742 5371). Théâtre de la Ville 20.30 Tanztheater Wuppertal opens a two-week season with Pina Bausch's latest work, Palermo Psalms (4274 2277). Salle Gaveau 20.30 Paul Badura-Skoda gives the first of four recitals devoted to Mozart's piano sonatas. Next recital on Fri (4027 8017).

VIENNA

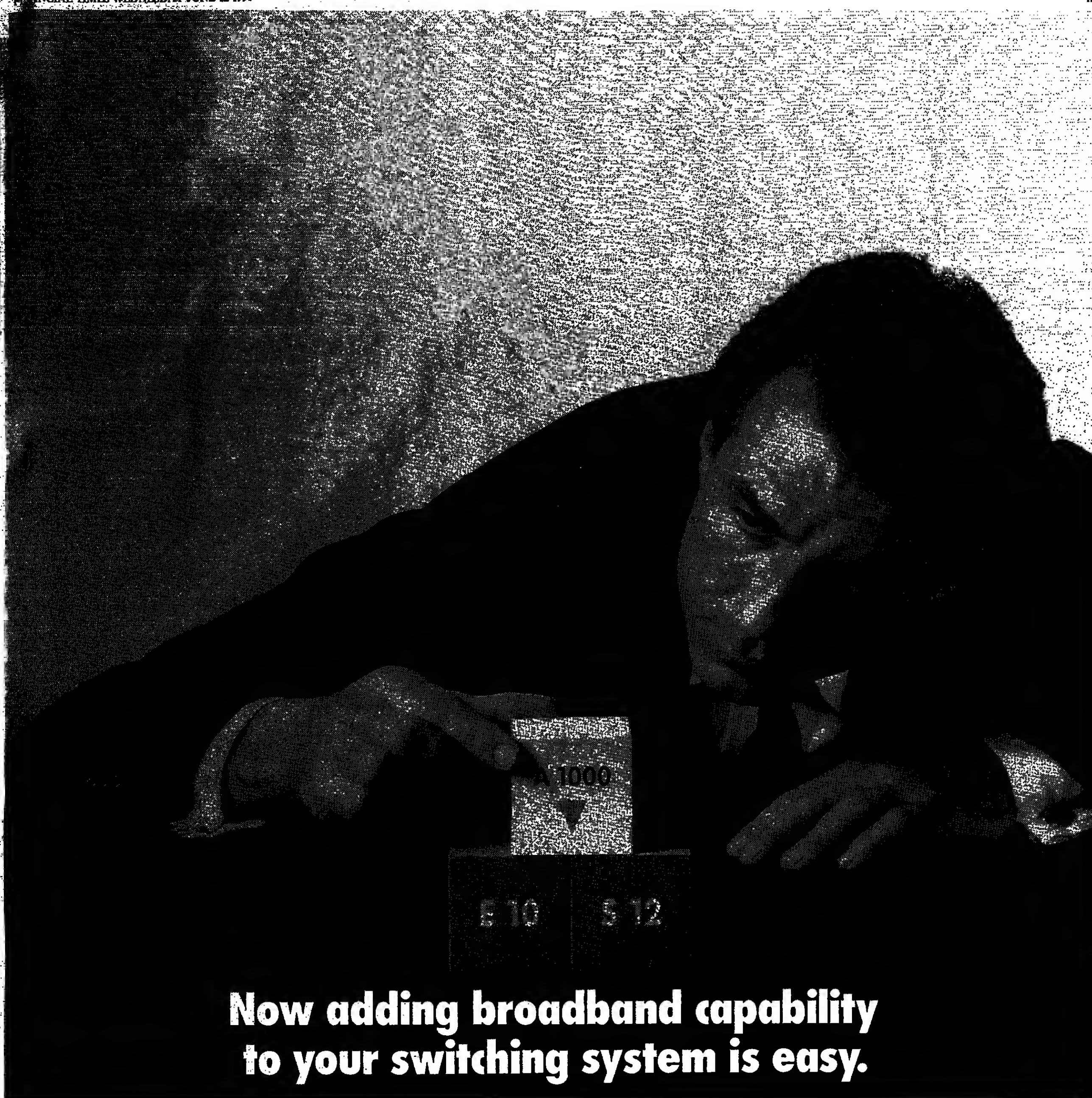
Theater an der Wien 19.00 Donald Runnicles conducts Achim Freyer's Hamburg production of Die Zauberflöte, with Kurt Moll as Sarastro, Kurt Strenge as Tamino, Dawn Upshaw as Pamina and Mikael Melbye as Papageno. Repeated on Fri and Sun (586 1676). Staatsoper 20.00 Michael Schoenwandt conducts Harry Kupfer's production of Elektra, with Eva Marton in title role, Brigitte Fassbinder as Clytemnestra and Elisabeth Connell as Chrysothemis, also Sun. Fri: Ariadne auf Naxos. Sat: Arabella (51444 2860). Musikverein 19.30 Young conductors' concert with Tonkünstler Orchestra. Set at 15.30 and Sun at 11.00: Daniel Barenboim conducts Vienna Philharmonic Orchestra in a Mozart and Bruckner programme. (505 4180). Konzerthaus 19.30 Michael Gienlen conducts Austrian Radio Symphony Orchestra in a programme including Mozart's Missa Solemnis. Tomorrow: Theodor Guschlbauer conducts Haydn, Schubert, Berg, Webern. (7124 6880).

ZURICH

Tonhalle 20.15 Hiroshi Wakasugi conducts Tonhalle Orchestra in Mahler's Ninth Symphony, Wakasugi's farewell performance as music director of the Tonhalle. Fri: final of 1991 Gstaad Andra Piano Competition (201 1580). Opernhaus 19.30 John Caga's music-theatre extravaganza Europaras 1 & 2, also Fri and Sat. Tomorrow and Sun: ballets by Pierre Weiss and Uwe Scholz (251 0809).

European Cable and Satellite Business TV

(all times CET)
MONDAY TO FRIDAY
Euronews
0630-0730 International Business Report
0730-0830 Moneyline
0830-0930 Moneyline
0930-1030 CNN Market Watch
1030-1130 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2030-2330 World Business Today
0700-0830 Moneyline
0830-0930 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0830
2230 - 2250 (Wed) Financial Times Business Weekly
2250 - 2330 (Thurs) Financial Times Business Weekly
2330 - 2400 (Fri) Financial Times Business Weekly
SATURDAY
0830-0930 Moneyline
0930-1030 World Business Today - a joint FT/CNN production
1030-1130 Moneyline
1130-1230 World Business Today
2110-2140 Your Money
SUNDAY
0830-0930 Moneyline
0930-1030 World Business Today - a joint FT/CNN production
1030-1130 Moneyline
1130-1230 World Business Today
1230-1330 FT Business Weekly
1330-1430 Moneyline
1430-1530 World Business Today
1530-1630 Moneyline
1630-1730 World Business Today
1730-1830 Moneyline
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FINANCIAL TIMES

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Wednesday June 12 1991

A Russian leader

THE CITIZENS of Russia today begin to take the largest step towards political freedom from which they have been allowed in their history. The six years of Mr Gorbachev have yielded great rewards for the world, but it has taken a crude blunderbuss, Mr Boris Yeltsin, to force an opening for democratic advance which has a good chance of being institutionalised.

The six men from whom the Russians must choose range from the doubtful to the laughable. But they are the first not to be seeking hegemony through butchery, treachery, the will of God or the logic of history. This fact alone is worth a celebration.

It is also worth emphasising that it is not only the first step, but one into a morass. The new president will make an oath, under the law which governs his office, to "protect the rights and freedoms of man and citizen", but he will rule in a country still not sure of either its human or civic rights. He will dominate a Supreme Soviet in which there are no clearly defined parties and no clearly defined programmes: where the judiciary is weak and generally craven; where declarations, laws and pledges are rarely matched by action; where the institutions remain those of a communist power without the convictions which used at least to make things happen, but with the reflexes which stop them happening.

Historic trust

And if, as expected, the citizens choose to repose this historic trust in Mr Yeltsin, these problems will be compounded by the complex politics and personality of this driven man. There was no need for Pravda this week to wheel out three professors of psychiatry - a profession with a dubious past in the Soviet Union - to say that Mr Yeltsin was power hungry. It has long been clear that he is a man to whom power is a necessary part of life and who is able to wield it ruthlessly.

That may become important and alarming. But for now, of greater importance is the fact that he has had to base his search for power upon the choice of the people, since the other source - the Communist

Capitalism and the saver

The Share Ownership Movement, a new independent body which is to take over from the wider Share Ownership Council in the autumn, has got off to a shaky start. Although it has received backing from the stock exchange and the government it has failed to attract the degree of financial support its sponsors, who include Sir Peter Thompson and Sir John Harvey Jones, have been expecting from private industry.

Inevitably this raises questions about the SOM's likely future success in promoting direct participation by individuals in the stock market, it faces a changing political climate with the possible accession to power of a Labour government over the next year. Is popular capitalism, a phrase coined by Mr Nigel Lawson when he introduced personal equity plans, another part of the Thatcherite baggage of the 1980s which the Conservatives should abandon?

In fact the arguments for spreading ownership of companies through the population have always been strong. If capitalism is to be successful it is essential that people at large should see benefits from healthy profits as well as from rising wages. But there must be serious doubts about whether the Tories have gone about it the right way, by encouraging individual amateur punters to hold penny packets of shares, without proper regard to the skills needed to manage portfolios properly or the financial infrastructure required to render small portfolios economic.

Conservative promotion

The government blames the stock exchange for dragging its feet, especially over the Taurus electronic settlement system, and Mr Norman Lamont is attempting to promote an alternative high street distribution network by offering interested financial retailers a deal over the forthcoming British Telecom share sale. But the Conservatives have never looked really courageous about promoting a shareowning culture. The government may be putting up £250,000 a year to help get the SOM off the ground, but the heavy fiscal discrimination against direct share

party - had thrown him out of its inner councils into the kind of padded sinecure from which cirrhosis of the liver is generally the only exit. Mr Yeltsin's many and obvious faults, however, cannot conceal one fundamental virtue: he may have stumbled on democracy but he has stayed on its path. The Russian people must ensure that he does not stray from it.

Important tasks

Whoever does take the presidency must quickly make clear what he will do in three areas. First, he must engage with Mr Mikhail Gorbachev, the Soviet president, and with leaders of the other republics, in a final effort to devise an economic plan for the Soviet Union and a union treaty for those who wish to be part of it. Posturing will be a luxury, as at least Mr Yeltsin seems already to have realised. The declining power of Soviet communism can be confronted only at peril of civil disorder, and thus must be compromised away - as it was in Hungary, Poland and Czechoslovakia, which offer much better models than Romania.

Second, on coming into the legacy of increased economic power which he will undoubtedly receive, the new president must both proclaim his adherence to the creation of a market economy (as Mr Yeltsin has done many times) and stick to it (which he has not). The imperative is transparency of decision-making as between the centre and the republics, and then resolute pursuit of those goals - such as privatisation - which are urgent.

Finally, he must nurse democracy into life as tenderly as any babushka tending a sickly grandchild. He must encourage the development of parties, even those hostile to himself, encourage a judiciary and a media with their own codes of justice and truth, not beholden to him; and allow the government he appoints to work without constantly trumpeting its actions with a populist jargon. A large agenda for any president, vast for the six ill-motivated men whose political fate is being decided today. Yet this is a great day for the Russians. Ideals can come alive in the voting booths of the Soviet Union.

ownership remains in place (apart from PEPs) and the advantages of the pension funds have been almost untouched.

Over the past three decades about a third of the equity capital of British quoted companies has been channelled into these extraordinarily remote and opaque funds. Not only has this concentration of ownership created a barrier between the broader population and the stock market, but there have been increasing problems of corporate governance because the pension fund managers have failed to accept their full responsibilities of ownership.

Company caution

In fact the main reason for the increase of interest by companies in promoting wider share ownership, leading to the establishment of the CBI's Wider Share Ownership Task Force, headed by Sir Peter Thompson, in early 1990, lay in the wave of hostile takeover bids in the late 1980s. The thought was that private shareholders might be more loyal than fickle pension fund managers. But in 1991, with the threat of takeovers greatly reduced, and industry severely stretched for resources, companies are declining to back the SOM with hard cash on any significant scale.

For the government, the way ahead may be to tackle the problem of institutional concentration. There may be no harm at all in encouraging an enthusiastic minority of investors to become active shareholders. For the bulk of savers, however, the institutional route is the appropriate one. So it is time for the government to stop treating unit trusts and investment trusts as the poor relations of the equity market. As for pension funds, and the with profits funds of life insurance companies, the aim must be to make them much more transparent so that the millions of beneficiaries can be made more clearly aware of how closely their fortunes are linked to the health of the corporate sector.

In pursuing the goal of wider ownership the Conservative government has largely lost sight of the need for wider understanding.

America's upturn is likely to be one of the weakest on record, says Michael Prowse

Lingering doubts about US recovery

In purely economic terms, the Bush administration has been a disappointment for most Americans. The annual rate of growth has not exceeded 1.7 per cent in any quarter since Mr George Bush's inauguration early in 1989. That is far below the trend of about 3 per cent established during the Reagan years. Since last July, when the US's ninth recession since the second world war began, output has fallen.

The White House and most private sector economists are confident that the recession is now bottoming out. The bad news is that the Mr Bush will continue to score low economic grades: the upturn looks set to be one of the weakest in recent US history. Total output has typically expanded by more than 6 per cent in the first year of recovery from post-war recessions. This time, growth is unlikely to exceed 3.4 per cent and could be as low as 2 per cent. A "double dip" in which the economy slips back into recession after a period of sluggish growth should not be ruled out.

The recession that began last July is best understood as part of a prolonged adjustment to the epic imbalances created by the defence build-up, tax cuts and financial deregulation of the first Reagan term. These led to record budget and trade deficits and unprecedented levels of personal and corporate debt. The remedy that has been applied for several years is a gradual deflation of domestic demand. Personal consumption began to fall in real terms only in the first quarter of last year. But growth of personal spending has been declining since the mid-1980s. Housing starts peaked at nearly double their current rate in 1986. The growth of capital spending, negative in the first quarter, has been declining since 1986, partly because of the loss of fiscal privileges in the 1986 tax reforms.

The prolonged domestic slowdown reflects several interacting forces: ● An attempt to reorient the economy away from domestic consumption and towards production for export markets. The trigger was the unsustainable rise in the current account deficit, which peaked at \$162bn in 1987. The means was an unprecedented devaluation of the dollar.

In four of the last seven US recessions, forecasters have been thrown off track by "false dawns": periods in which gross national product has risen before resuming its fall, writes Michael Prowse. So it would be unwise to regard recent positive signals as proof that the economy is turning around.

The outlook, however, does look brighter than even a fortnight ago. On Friday, the Labour Department reported that employment rose by 59,000 in May - the first increase for nearly a year. This was a tiny increase in an economy that generates nearly 100m jobs and one that could be erased by data revisions. But it was a ray of light after six months in which monthly job falls have averaged more than 200,000. It also tallied with other labour market indicators: initial claims for unemployment insurance, for example,

have been falling since late March. A surge in the arcane-sounding Purchasing Managers' Index also whetted appetites last week. The index, based on a survey of purchasing executives in 300 US companies, is one of the most timely and reliable indicators of the strength of order books and production. Having risen steadily since January, the index last month crossed a threshold that historically has signalled economic expansion rather than contraction. The improvement followed a small rise in industrial production in April (which is certain to be bettered in May) and the first rise in factory orders since October.

A Commerce Department survey indicating that companies plan to increase investment by 3 per cent in real terms this year rounded off a good week. Economic bulls will interpret this latest data as merely bolstering previous signs of incipient recovery. The housing market, for example, has been recovering in fits and starts since January. Retail sales and consumer spending started to revive in February. Analysts say higher employment in May and a long work week would translate into higher personal incomes and, consequently, during the summer.

All told, say optimists, a recovery about now would correlate well with past precedents. Share prices, a reliable forward indicator, began leaping ahead early in the New Year. At the same time, sharp cuts in interest

rates prompted a modest recovery of monetary growth, which was stagnant in the second half of last year. The composite index of leading indicators registered its third successive rise in April. A run of three increases has always previously signalled recovery. It leads recoveries on average by about five months, again suggesting a May recovery.

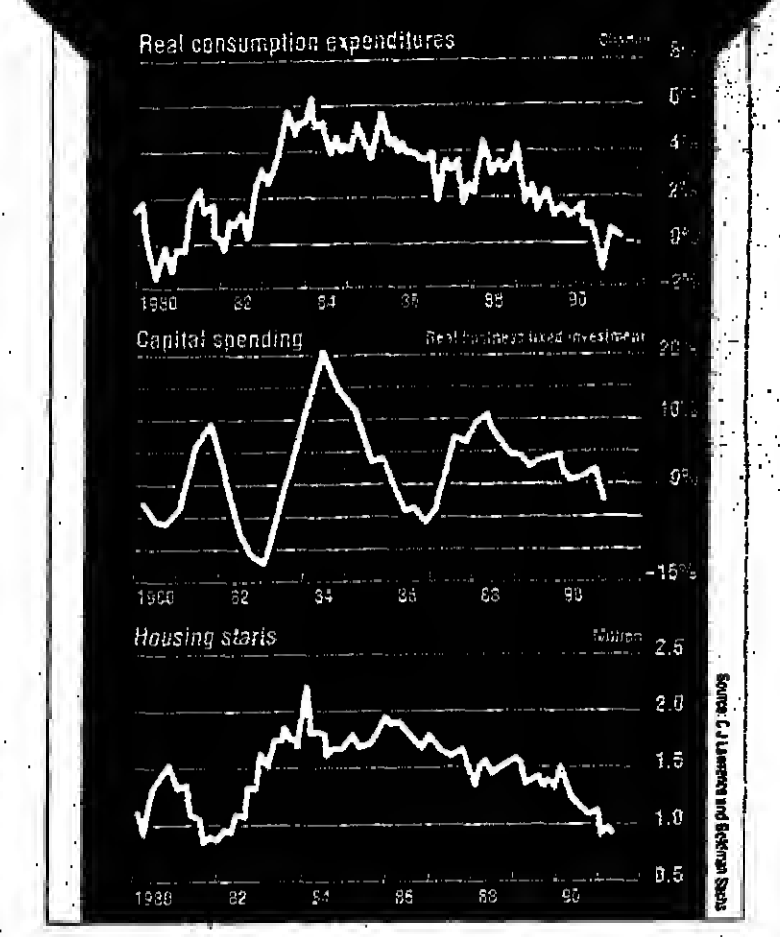
But caution remains advisable. Most of the indicators are signalling at best only the preliminary stages of an upturn. The charts mostly show tiny gains after months - sometimes years - of steady decline. Housing starts, for example, are up 14 per cent from January's trough, but still down 40 per cent from the already depressed levels of the late 1980s;

been constrained by soaring debt service burdens in all sectors. The total debt of households, businesses and all levels of government rose from \$4,000bn in 1980 to nearly \$11,000bn last year - a per capita real increase of nearly 60 per cent. Much of the debt financed current consumption and a variety of uneconomic investments, such as commercial real estate - much of which remains vacant. In effect, the baby boom generation of the 1960s demanded - and enjoyed - a standard of living that far exceeded the US's ability to produce goods and services. The costs will be borne well into the 1990s.

These longer-term forces helped shape a recession unique in recent US history. This downturn was not prompted by a sudden fiscal or monetary crackdown to curb inflation but rather by a gradual ebbing of corporate profit margins, disposable income and consumer purchasing power. Manufacturing companies, for example, began cutting employment more than a year before the recession proper began. Then, last autumn, the shock of higher oil prices, following Iraq's invasion of Kuwait, knocked consumer and corporate confidence, prompting a much faster shake-out.

If consensus forecasts prove accurate, the recession will be of roughly normal length, lasting slightly less than a year. The peak-to-trough decline in GNP will be just over 1 per cent, considerably less than the average fall of nearly 2 1/2 per cent. But, as Morgan Stanley, the New York investment banking firm, points out, the anatomy of the recession will be distinctly untypical.

Personal consumption usually acts as a cushion, growing modestly through the downturn; this time it has accounted for 70 per cent of the decline in activity. External trade usually offers little support; this time net exports have added the equivalent of a percentage point of GNP, offsetting weak consumer spending, and masking the severity of the domestic downturn. Cuts in inventories also appear to be playing a less decisive role due to better corporate stock control techniques. The recession, in other words, reflected an intensification of existing trends, which



favoured a shift of resources away from consumers and towards exports. The recovery is likely to be weak mainly because the "deflation" course prescribed for the excesses of the 1980s is far from complete. Indeed the gloomiest interpretation of the recent signs of an upturn is that only the shock of the Gulf war has been absorbed, leaving the economy on its prior path of gentle deflation. An added worry is that export growth, which is already flagging, may grind to a halt as growth slows in continental Europe and other markets. Spending cuts by near bankrupt state and

local governments may also retard recovery in some regions.

The scale of any upturn will thus depend heavily on the private sector's ability to sort out its problems. In theory a "Germanic recovery" in which falling domestic inflation prompts a decline in long bond yields and a sustained revival of business investment is feasible. But with domestic demand likely to remain weak - and with international prospects uncertain - this would require US business to adopt an unusually long-term horizon. A weak and short-lived recovery is only too likely.

durable goods orders are 11 per cent below their peak; industrial production is down 5 per cent; employment is still more than 1.5m below pre-recession levels.

The still-uncertain outlook for the US consumer is perhaps the strongest ground for reserving judgement. Higher spending in the spring was partly at the expense of a slumping savings rate, which fell to 3.6 per cent of disposable incomes, the lowest level in any post-war recession. Consumer confidence fell in both April and May, suggesting that euphoria following the Gulf war has evaporated. Car sales, a crucial barometer of sentiment, have been consistently disappointing: an upturn towards the end of May left sales still far below the level that would indicate a vigorous consumer revival.

Recent encouraging data is thus suggestive of a short-term economic rebound, but is still inconclusive.

Why caution is advisable

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Busman's lolly day

■ Hong Kong entrepreneur Tsui Tin Tong, who has given his money and name to the new gallery of Chinese art at London's Victoria and Albert Museum, is one of those fairy tale figures hard-up curators must dream about.

When he first turned up unannounced in 1979 asking to see the museum's collection of Chinese art, most of it hushed unseen in a dingy basement because of a chronic lack of space. Tsui was not impressed. Today, 12 years and £1.2m later, he will be at the opening by Prince Charles of the gallery now housing the collection.

To listen to Tsui's well-oiled publicity machine he is one of Hong Kong's best-known philanthropists and has growing links with the UK. His Citibank operations in the colony already provide plenty of orders for Leyland and he has just won from London Regional Transport a franchise to operate Ensign bus services to mystical destinations like Romford and Dagenham.

Apart from making London's buses run on time, he is one of many future tipped as a potential future chief executive of Hong Kong when it reverts to China in 1997.

But the UK antiquities trade is unsure what to make of him. The latest edition of The Antique Collector dredges up some of his less savoury connections, accusing him of using great art to raise his "business and cultural profile". Funny how "old" money seems immune from such comments - good luck to you, T. T. Tsui.

Ebbing tide

■ As perhaps befits a country with a socialist president, France will soon be the only foreign power officially represented in Britain's erstwhile important port of Liverpool.

OBSERVER

Germany is closing its consulate there - the only other one remaining of 15 a few years ago - and setting up instead 30 miles away in Manchester.

German ambassador Baron von Richthofen will hold a reception tonight to announce the move. A suite of offices behind newly installed bullet-proof glass in what used to be Greater Manchester's County Hall.

The consulate is headed by career diplomat Franz Joseph Goldschmidt who stresses that the reason for the move is Liverpool's decline as a port: not the almighty mess the city has got into. The shipping documents that once dominated the consulate's work now account for only 1 per cent of same.

The significance for Liverpool, however, is that there is now one less influential group of foreign emissaries working there to put the city's worsening image abroad into a fairer context.

Punchy

■ What's more, yesterday's occupation of Liverpool council offices may make it inevitable that the coming contest to fill Eric Heffer's parliamentary seat there will be dubbed the "GBH-by-election".

Indeed I fear the new Channel 4 drama series about shaming metropolitan gross bodily harm in a fictional northern city - not Liverpool, of course - is destined for such over-exposure in the press that readers will be yearning for the Darling Buds of May.

Air waves

■ Meanwhile, when it came to influencing the Thatcher government's broadcasting bill, Granada Television didn't have much clout. It was too



left-of-centre to be "one of us", as the lady liked to say, being wedded to notions about public service broadcasting.

Now at last its moment has come. As it waits to hear if it will lose its north-west England stronghold to a consortium led by Paul Redmond's Mersey Television, Granada has been asked to help the Czechoslovak government with the drafting of broadcasting legislation.

One thing seems sure. Granada won't be advising that Czech commercial television licences should ultimately go to the highest bidder - the process now under way in the UK.

Happy landing

■ One has to admire Britain's determination to be first back into Kuwait in as many different ways as possible following the Gulf war.

ways has notched up the first post-war scheduled flight of a non-Gulf airline.

But it wasn't the first since the Iraq invasion. That dubious honour went not to yesterday's BA115, but to the ill-fated BA149, which landed a good two hours after Saddam's forces went in.

A colleague who was on both flights reports a great improvement in service. Last time, on BA149, the plane was late... and his suitcase went missing even before the traips appeared at the airport.

Hard luck story

■ London's Hard Rock Cafe, a global pioneer of marketing an image rather than food, celebrated its 20th anniversary yesterday by charging 1971 prices for a day. The restaurant, owned by Bank Organisation, now makes almost as much from T-shirts as from hamburgers.

But one thing has not changed in Piccadilly. Rain or shine, there's always a queue outside, and that's not by chance. If demand flags, tables are shut down until a line of customers again snakes down the pavement.

Unhappy

■ If you think that trade awards are a doubtful honour your suspicions will be confirmed by the latest survey on the quality of service offered by life companies.

The annual Sherwood Money Week award for service excellence has been carried off by Scottish Amicable in both the life and pensions categories, and by Scottish Life in the mortgages section.

But wait a minute, a similar survey of quality of service published in April by the Alexander Consulting Group, a large firm of intermediaries, showed that out of 35 life companies Scottish Amicable came 30th and Scottish Life 24th. Perhaps the Scots are not amicable enough to everybody.

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FINANCIAL TIMES
LONDON PARIS FRANKFURT NEW YORK TOKYO

LETTERS

Interest subsidy would blunt competition

From Mr William Drake

Sir, Mr. Blair's suggestion for a new credit institution to lend at preferential rates to selected businesses with up to £200m must be rejected.

The proposed margin of half a percentage point above Libor cannot be achieved without subsidy, yet it is not clear who should finance this, or why. It will certainly help the privileged companies which gain access to lower borrowing rates, but it is hard to see how it will help the economy. Small and medium-sized companies are vital to Britain's economy and their prosperity is essential to economic recovery. Those not qualifying for preferential rates will suffer a considerable handicap. This cannot be right.

The UK has a market infrastructure in place which is capable of meeting demand for capital. The government's intervention in the form of subsidies will only blunt our competitive edge.

William Drake

Granville & Co

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77 Mossell Street E1 6AP

Labour party policy for labour law and the minimum wage

From Mr Tony Blair MP

Sir, Your editorial of June 3 (Labour's labour market) contained many inaccuracies in respect of the Labour party's policies, particularly on labour law and the minimum wage. Let me deal with the most obvious.

On labour law, we have already made it clear that the new industrial court will be a division of the High Court - there will therefore be appeals on a point of law in exactly the same way as the present employment appeal tribunal. It will have the full power to fine those in contempt of court and to ensure that fines are paid and to prevent a law breaker using the courts to commit a breach of the law. All this has been made clear many times.

As for the right to recognition, it is already a fact that it is a right, contingent on the free choice of the individual not the union. The right is to be exercised where the unions have recruited successfully but the employer refuses, irrespective of the degree of union membership, to allow the employees the right to be represented by the union where they wish to be.

At the moment, the only recourse of the union member is industrial action. Our desire is to substitute a proper legal framework for the anarchy of industrial conflict.

On the minimum wage, the editorial becomes incoherent. It attacks the notion of a low wage economy, rightly says that the demand for unskilled

Institutes ready for audit regulation

From Mr Ian R. McNeill

Sir, David Waller's report, "Touche urges audit regulation reform" (June 7), was incomplete.

From 1987, the three Institutes of Chartered Accountants undertook extensive consultation exercises among their firms about a future system of audit regulation based on proposals from the DTL. The exercise showed very strong support by firms for the institutes undertaking the regulatory role. As a consequence, members of the institute voted formally in June 1990 by a majority of 98 per cent for the institute to apply for powers under the Companies Act 1989 to regulate audit.

Also in 1990, a leading firm of City solicitors undertook a review of the institute's disciplinary and regulatory systems to check that they complied with the institute's obligations under various acts of parliament, including the Companies Act 1989.

We will introduce the minimum wage at £3.40 per hour, which is 50 per cent of average male median earnings, rising when, and only when, prudent to 60 per cent. The US is now raising its minimum wage level. The most recent study by the OECD into France found no employment impact through introducing a minimum wage, contrary to your assertion. It will not apply to youth trainees, so the primary grounds for your attack, both in this and your editorial, are false. And finally, the minimum wage is not some pay-back to the unions, as you suggest.

In fact, it is most needed in the non-unionised private sector where employees have less bargaining strength, and are therefore dependent on the law rather than unions to protect them.

Tom Blair, House of Commons, Westminster, SW1

Compelling case for a social security pension age of 70

From Mr Ralph Instone

Sir, If the new health strategy (Leader, June 6) achieves a significant reduction in premature deaths, the increased cost of state-provided pensions and geriatric care will be huge. In order to mitigate the growing burden of these on present and future taxpayers, is there not a compelling case for raising the pensionable age for social security pensions? To avoid

undue disappointment for those now nearing pensionable age, it should be enacted that as from, say, April 1994, the existing ages will be raised by one year for men and women, and for both men and women. This might even encourage them to adopt healthier lifestyles.

Ralph Instone, 7 New Square, Lincoln's Inn, WC2

Why Mexico should be seen as attractive to international investors

From Mr Carlos Alberto Gonzalez

Sir, It is laudable that Damien Fraser should attempt the task of tackling the complex problem of weighing the pros and cons of a North American Free Trade Agreement (NAFTA) and potential south of Rio Grande (June 3).

However, he misleadingly states in his article that capital will only flow into Mexico in the form of direct foreign investment, given that institutional banks are unlikely to resume lending to

Mexico for some time, after their bruising experience in the debt crisis.

Though this may be true in the case of some Latin American countries, it can no longer be said of Chile, Mexico and Venezuela. On the contrary, Mr Fraser's article was published, two Mexican borrowers successfully tapped the international markets and this was reported by Tracy Corrigan in the FT the following day.

These two transactions are just the latest in a series of Mexican issues that have

recently come to the market. Though a large portion of such bonds and notes end up in the hands of corporations, insurance companies, pension funds and private investors, international banks are increasingly taking Mexican exposure on their books, albeit in modest amounts and on a case-by-case basis.

Admittedly, one swallow doesn't make a summer. However, Mexico's rewards for going to the market, even if they are initially on a small scale, deserve to be acknowledged

and publicised. The dramatic decline during the last 12 months in yields on Mexican public-sector securities (from about 12 per cent to under 10 per cent per annum) attests to the remarkable recovery of the Mexican economy and reflects the fact that the market is confident that - as Mr Fraser points out - Mexico stands to benefit enormously from this unprecedented negotiation with the United States.

Carlos Alberto Gonzalez, 107 Cheapside, EC3

PERSONAL VIEW

Brussels needs fast-track authority for Uruguay Round

By Jeffrey Schott

WHEN leaders of the G7 group of leading industrial countries convene for the London summit next month, they will again face the problem that made their corresponding summit last year so unproductive: how to resolve the impasse over agriculture and thereby reinvigorate the Uruguay Round of the Gatt negotiations.

Failure to improve upon their 1990 farm accord, which quickly came unstuck and contributed to the breakdown of the Brussels ministerial meeting last December, would leave the Gatt talks adrift with little meaningful to say about trade. Why all the fuss about agriculture, which accounts for only 12 per cent of world trade? Simply put, agriculture is the linchpin of the Uruguay Round. It is not the most important issue in itself, but reforms in agriculture are needed to balance concessions in other areas so that agreements can be reached across the broad range of the Uruguay Round agenda.

A compromise solution to the agricultural impasse is not too difficult to conceive, almost all Gatt members are likely to accept an outcome that reduces agricultural supports on the order of magnitude presented in Brussels by Mr

Mats Hellstrom, Sweden's agricultural minister. The problem is one of political process: how to get from here to there.

US and European negotiators in the Gatt have been embroiled by their unique and intransigent political processes. In the US, the separation of powers between Congress and the executive branch exposes trade agreements to amendment and renegotiation; by contrast, in parliamentary systems ratification is generally guaranteed by the ruling party. Fast-track authority, which requires that legislation implementing trade pacts be voted by Congress as a package without amendment and within a short time period, was introduced at the start of the Tokyo Round of the Gatt talks in the early 1980s to level the intergovernmental playing field - with the recent vote in Congress to extend fast-track authority until 1993, the US is now ready to pursue the final stage of negotiations in the Uruguay Round.

EC negotiators face a different problem. Unlike their US counterparts, the European Commission negotiators do not work for elected officials; their negotiating authority derives from the Council of Ministers representing the 12 member states of the European Community. By the time the community has

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FINANCIAL TIMES

Wednesday June 12 1991

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PHARMACEUTICALS

Glaxo sells penicillin plant to Taiwan group

By Clive Cookson in London

GLAXO HOLDINGS, Britain's largest pharmaceutical group, is to sell its Cambios penicillin plant in Northumbria to the China Synthetic Rubber Company of Taiwan. The deal is believed to be the first step by any Taiwanese company into European pharmaceutical manufacturing.

The plant produces an estimated 1,400 tonnes a year of bulk penicillin G, about 10 per cent of total world production. Most of its penicillin output, which is worth \$20m (\$34m) a year, is currently sold to other pharmaceutical companies for processing into antibiotics.

used for a wide range of infections. Glaxo decided to sell Cambios to concentrate on high-margin patented drugs. Bulk penicillin manufacturing is a low margin activity, though it requires specialised fermentation and separation technologies.

For CSRC, the Taiwanese company, the deal represents a diversification into Europe and into a new manufacturing sector. Until now, CSRC has concentrated on heavy chemicals and steam and electricity generation.

It is part of Koo's Develop-

ment Corporation, a conglomerate with interests ranging from petrochemicals and cement to electronics and financial services.

Dr Michael Barber, a UK pharmaceutical consultant who studies the world antibiotic market, called Cambios "an opportunity of a lifetime. It's the only free-standing penicillin plant in the western world."

Other penicillin plants, such as SmithKline Beecham's large facility in Scotland, are linked into downstream antibiotic production on the same site.

Global demand for penicillin-

based antibiotics is increasing only by about 3 per cent a year, Mr Barber said, but the Asia-Pacific market will grow much more rapidly over the next decade. CSRC is expected to use Cambios as a source of raw material for manufacturing antibiotics in Taiwan.

It would be difficult for CSRC to acquire the technology to build a new penicillin plant in Taiwan and the investment required would be about \$100m. Although the price negotiated for Cambios has not been disclosed, it is far less than that.

Another factor is that peni-

cillin production is easier in cool climates. The fermentation process releases a lot of heat and the 100 cubic metre fermentation vats, containing penicillium mould and nutrients such as sugar, have to be maintained at 25 deg C.

Dr Joe Blaker, managing director of Glaxochem, the UK group's primary manufacturing arm, said a priority in selling Cambios was to maintain as many jobs as possible. The workforce is being reduced from 230 to 210 through voluntary redundancies and early retirement.

London's uneasy optimism

FT-SE index: 2,542.6 (+30.7)

If the stock market is a leading economic indicator, yesterday's FT-SE 100 close within three points of its all-time high does not seem to have convinced Sir Eric Pountney of Tarmac. His depressing AGM statement yesterday suggested that, far from recovering, the economy is setting off on a fresh downward leg. Nor is he alone. Anecdotal evidence from a range of companies points to trading conditions remaining depressed for the rest of 1991. True, spring's flood of rights issues has slowed to a trickle, but the government's showing in the polls might also be weighing on share prices.

The one bright spot for investors is the hope that the underlying as well as the headline rate of inflation is now declining. The latest producer price index, showing a marginal decline in the annual growth rate to 6 per cent, bears this out. But lower inflation will need to be followed by yet more interest rate cuts to produce a convincing FT-SE rally. With sterling already showing the first signs of weakness at the prospect, the Bank of England is duly seeking to dampen expectations.

The problem is that the timing of cuts has become ever more delicate as support for the government has waned. Even appearing to bring them forward for political reasons would be almost as bad for confidence as not cutting them at all.

However good the inflation news, cuts will have to come in measured doses for some time to come. That may explain both the market's hesitancy and Sir Eric's gloom.

Guinness

The decision by LVMH to spend a further £200m or so on Guinness shares is an interesting confirmation of the relative standing of the two companies. When the cross-holding agreement was announced three years ago, it might have seemed risky for Guinness to choose so large and ambitious a partner.

Since then, the LVMH share price has gone up by around 50 per cent while Guinness's has almost trebled. Guinness is now worth half as much again as LVMH, while the Guinness stake accounts for nearly 40 per cent of LVMH's market value. It might seem rational for LVMH to conclude that its money is better spent on Guinness shares than on its own business.

Whether the Guinness share price can carry on bounding upwards, speculation of a cut received another boost when the Central Statistical Office announced that the output price index for home sales of manufactured goods rose by 0.4 per cent in May to an annual rate of 6.0 per cent. April's rate was revised from 6.4 to 6.2 per cent.

The Treasury said yesterday's news showed that "inflationary pressures at the wholesale level have fallen sharply since the beginning of the year".

It said its preferred index of producer price inflation, which excludes food, drink and tobacco, was rising at an annual 4.8 per cent in May - the lowest since last January. This index was down a full percentage point since February, it said.

Yesterday's figures also helped to iron out inconsistencies between the two measures of underlying inflation, as CSO indices have taken much longer than CBI surveys to register price falls. CBI surveys point to further falls in underlying inflation in the coming months.

Sterling's relative weakness in the exchange rate mechanism of the European Monetary System is thought to have prompted the Bank's decisive move against rate cut speculation. The pound declined against a weak D-Mark, falling 1.1 pence to DM2.945, below its DM2.96 central rate. It slipped from fourth to seventh position in the EMS exchange rate mechanism.

London equities shrugged off the Bank's move. The FT-SE 100 index advanced in sympathy with Wall Street to close at 2,542.6, up 30.7.

The CSO announced that the input price index for manufacturers' materials and fuel fell by 0.1 per cent in the 12 months to May.

Hopes of early UK interest rate cut dashed

By Rachel Johnson and Peter Norman in London

THE BANK of England yesterday quashed market hopes of an early cut in UK interest rates even though official figures showed a drop in the rate of underlying inflation.

The Bank, using its money market operations, underscored its determination to maintain current UK interest rates by lending £530m (\$900m) at 11.5 per cent over the next nine days. This is well beyond Friday when the announcement of the retail price index for May had been expected to trigger the next rate cut.

By lending for nine days at the base rate, the authorities have ensured smooth trading until after next Wednesday when the June sterling contract on the London futures market expires.

Expectations of an imminent reduction in borrowing costs had gathered strength in London since late last week. Hopes were fuelled by a report from the Confederation of British Industry, the employees' organisation, of falling wage settlements in the manufacturing sector and expectations that Friday's retail price index would show the headline rate of inflation dropping below 6 per cent.

Although the UK authorities insist that falls in headline inflation do not automatically result in interest rate cuts, they have twice this year eased borrowing costs on the same day as the release of the retail price index.

Before the Bank acted yesterday, speculation of a cut received another boost when the Central Statistical Office announced that the output price index for home sales of manufactured goods rose by 0.4 per cent in May to an annual rate of 6.0 per cent. April's rate was revised from 6.4 to 6.2 per cent.

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EBRD ADVISES MOSCOW TO WIDEN PRIVATE SECTOR

Soviets pressed to reform economy

By Peter Norman, Economics Correspondent, in London

THE EUROPEAN Bank for Reconstruction and Development has advised the Soviet Union that it should act within six months to stabilise its economy and begin a big shift in activities towards the private sector.

The recommendations are part of a programme for reform of the Soviet economy that the recently established bank has submitted to the Group of Seven nations, which meet in London next month, and to President Mikhail Gorbachev.

The plan, devised by Mr Jacques Attali, the EBRD president, Mr John Fleming, its chief economist, and Soviet, US and Japanese members of the EBRD's staff, was presented to the "sherpas", the senior officials preparing the summit, late last week.

Mr Fleming and EBRD officials are now in Moscow to discuss the ideas with the Soviet authorities.

The EBRD programme sets out ways for Soviet economic policymakers to establish their credibility while starting on the longer term goals of liberalising and privatising large sectors of the Soviet economy. It does not attempt to cost the proposed reforms, but Mr Attali and his senior officials clearly hope that their plan will influence debate on the issue at the G7 summit.

As a first step, the EBRD calls for clarification of the responsibilities of the central government and the republics.

The bank urges the introduction of a stabilisation programme, led by the International Monetary Fund, that would tackle price reform and the huge Soviet budget deficit, would control money supply and wages, and start mopping up the monetary overhang, it



Jacques Attali: will discuss the plans with Mr Gorbachev in Moscow at the weekend

also says the Soviet Union should begin moving to currency convertibility, achieving limited convertibility within six months.

The EBRD sees itself playing a big part in reforming the economic structure of the Soviet Union. In an example of what the bank has in mind, the EBRD announced yesterday it had agreed to provide the organisational committee of the State Bank of the USSR with advice on setting up a Moscow-based bank.

This would be majority-owned by western institutions and mainly concerned with project finance. As a first step, the EBRD will carry

communications and transport; the creation of private enterprise and a modern banking system; the strengthening of agriculture and the food industry, and the development of a market-based energy sector.

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This would be majority-owned by western institutions and mainly concerned with project finance. As a first step, the EBRD will carry

out a feasibility study. Mr Attali will discuss the EBRD's proposals with Mr Gorbachev in Moscow on Saturday. Before the summit, he also plans to meet western policymakers and Mr Michel Camdessus, the IMF managing director.

He is also expected to campaign for an easing of the restrictions currently imposed on EBRD lending to the Soviet Union.

Economy under control, says Pavlov. Soviet oil workers given 40% pay rise; Poles seek to swap debt for nature, Page 4

Tate & Lyle unveils an alternative to fat

By David Owen in London

TATE & LYLE, the world's largest sweetener group, yesterday unveiled Stellar, its principal entrant in the fast-growing market for fat replacement products.

Stellar and its rivals could help to realise many food manufacturers' hopes to market guiltless pleasure in the 1990s. The products replace fat in foods from yoghurts to pizza cheese, making possible low-calorie products for increasingly health-conscious consumers without sacrificing the taste and textural characteristics associated with fat.

Tate's US-based AB Staley subsidiary has developed a starch-based product from maize that meets US Food and

Drug Administration regulations on the use of "modified food starch".

This means Stellar can immediately be used in a broad range of food products without waiting for FDA approval.

Mr Neil Shaw, Tate's chairman and chief executive, said: "Some food manufacturers have been researching the use of the product for some time now."

In its "creme" form - arrived at by mixing the powder with water in a process known as "shearing" - Stellar contains just one calorie per gram, nine times fewer than fat.

Tate estimates world demand for fat replacement products, almost all of it in the

US, at \$200m a year, rising to \$800m by 1995. Frozen desserts containing Simplex, a protein-based fat substitute developed by Monsanto's NutraSweet subsidiary, have been on the market in the US for more than a year.

Procter & Gamble has been awaiting FDA approval for Olestra, a combination of fatty acids and sugar, since 1987. It recently narrowed the scope of its petition to cover one isolated product group: salted snacks.

The size of the potential market makes it easy to see why competition is intensifying. According to NutraSweet, overall retail sales of products in which Simplex could be used

are estimated at approximately \$15bn in the US and about the same again in western Europe.

Tate expects products containing Stellar to start appearing in the US by the second quarter of 1992, soon after the powder is due to become available in commercial quantities.

These Supplies will come from a plant of unspecified capacity which will come onstream at London. Tate's next April initial marketing efforts will be focused on North America, with European sales conducted through Amylum CST, Tate's Belgium-based subsidiary.

Rundberg bid, Page 19
Battle ahead, Page 29

Russians vote their way into history

Continued from Page 1

though debate is perhaps too strong a word as the six never engaged head-on.

The main TV channel got most of them together in a studio on Monday night, with the notable absence of Mr Yeltsin. Mr Igor Fesunenko, the chairman, allowed each a few minutes to answer sets of questions, and never to challenge each other.

In their "big" interviews, the main talking points for an attentive electorate have often been the characteristics of the three minor candidates: the studied provincialism of Mr Aman Tuleyev, leader of the Kemerevo Council in Southern Siberia; the raucous and blunt Stalinism of General Albert

Makashov; and the Wagnerian excesses of Mr Vladimir Zhukovskiy, leader of the Liberal Democratic party, who in the course of one TV interview ordered his questioner out of the studio.

Few of the candidates have grown into television, a medium where Mr Yeltsin appears guarded - Mr Fesunenko gave him a rough ride in his interview last week - and Mr Ryzhkov boring.

However, even the boredom is at least real; the treat for western eyes is of politicians, running for major office, who are not yet ruined by the image makers.

Though they have generally abstained from direct personal attacks on each other, their supporters have been much

less inhibited, in particular, the pro-Ryzhkov press.

Pravda produced three professors from the corrupted world of Soviet psychiatry to testify that Mr Yeltsin was power hungry.

Ahead of all, however, has been Sovetskaya Rossiya, the daily of the Russian Communist party.

Its eve-of-election issue was a "Get Yeltsin" special; its lead story a rebash by the Soviet Procurator Mr Nikolai Trubin of the murky affair of a currency buying scandal involving both a British-South African businessman and documentation signed by the Russian government of which Mr Yeltsin is leader.

He never actually implicated Mr Yeltsin, but insisted that

the deal was done under his aegis.

Organisationally, the election is strict. Candidates get R200,000 from the state, and can use their own savings, as well as donations from workers. The voting today will be organised by local election committees with the help of local authorities.

For a candidate to win on the first round, he must have the support of 50 per cent of those voting and the total turnout must be at least 50 per cent of the eligible 105m.

Announcement of the first official results will be much slower than in the west - next Monday - but, like the west, they will probably leak much earlier.

1993

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WORLDWIDE WEATHER											
Location	Temp	Wind	Humidity	Clouds	Temp	Wind	Humidity	Clouds	Temp	Wind	Humidity
Algeria	24	10	60	10	Paris	18	12	70	10	10	70
Amman	24	10	60	10	Barcelona	22	10	60	10	10	70
Amsterdam	18	10	60	10	Bombay	28	10	60	10	10	70
Antwerp	18	10	60	10	Buenos Aires	22	10	60	10	10	70
Bahia	24	10	60	10	Calcutta	28	10	60	10	10	70
Bombay	28	10	60	10	Chennai	28	10	60	10	10	70
Buenos Aires	22	10	60	10	Colombo	28	10	60	10	10	70
Calcutta	28	10	60	10	Cairo	28	10	60	10	10	70
Chennai	28	10	60	10	Canton	28	10	60	10	10	70
Canton	28	10	60	10	Cebu	28	10	60	10	10	70
Cebu	28	10	60	10	Dhaka	28	10	60	10	10	70
Dhaka	28	10	60	10	Hankow	28	10	60	10	10	70
Hankow	28	10	60	10	Hong Kong	28	10	60	10	10	70
Hong Kong	28	10	60	10	Kobe	28	10	60	10	10	70
Kobe	28	10	60	10	London	18	12	70	10	10	70
London	18	12	70	10	Lyons	18	12	70	10	10	70
Lyons	18	12	70	10	Manila	28	10	60	10	10	70
Manila	28	10	60	10	Medan	28	10	60	10	10	70
Medan	28	10	60	10	Mumbai	28	10	60	10	10	70
Mumbai	28	10	60	10	Nagasaki	28	10	60	10	10	70
Nagasaki	28	10	60	10	Osaka	28	10	60	10	10	70
Osaka	28	10	60	10	Shanghai	28	10	60	10	10	70
Shanghai	28	10	60	10	Singapore	28	10	60	10	10	70
Singapore	28	10	60	10	Tokyo	28	10	60	10	10	70
Tokyo	28	10	60	10	Yokohama	28	10	60	10	10	70
Yokohama	28	10	60	10							

Temperatures at midday yesterday. C-Celsius F-Fahrenheit W-Wind S-Sunshine H-Humidity

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FINANCIAL TIMES COMPANIES & MARKETS

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Wednesday June 12 1991

Familian
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WOLSELEY plc
The name behind the name.
INSIDE

Leading US machine tool groups merge

Two US companies have combined to create the largest American machine tools concern. Giddings & Lewis, a leading automation systems maker, has agreed to acquire Cross & Trecker, the third largest US maker of machine tools, based in Michigan. In 1990 Giddings & Lewis, based in Wisconsin, had sales of \$243m and Cross & Trecker \$491m. *Page 22*

Vesper sells away with 18% gain

Vesper, Thornycroft, the UK warship designer and builder, yesterday reported an 18 per cent increase in pre-tax profits to £14.3m (£23.9m) in the year to March 31. Peter Usher, chairman (left), said the company's performance had been helped by the performance of its first class minehunters in the Gulf war. Also pictured is Martin Day, managing director, with a model of the company's new Sandown mine hunter, which is entering service with the Royal Navy. *Page 28*

Slow fuse on German Big Bang

Regulators have finally lit the fuse on the long-awaited Big Bang on the German stock market. Last week, the Frankfurt stock exchange paved the way for the development of a more active electronic securities trading system as well as the framework for rationalising the regional character of the German stock exchanges. But, as Katharine Campbell reports, there is still much cajoling in smoke-filled rooms to be done before the final countdown. *Page 24*

Braced for aluminium deluge

Nearly a third of the Soviet Union's aluminium output could arrive in the west this year, affecting prices on the London Metal Exchange, according to Mr. David Flett, vice chairman of the European Aluminium Association. *Page 30*

Government bond table widened

Growing international interest in the high-yielding European government bond markets has prompted the Financial Times to include Spanish, Italian and Danish bonds in the benchmark government bond table from today. *Page 24*

Mercury Communications

A report in yesterday's FT said that Mercury had decided not to compete head-on with BT in the UK residential market. The position is that Mercury continues to serve this market both with its cable services and in conjunction with partners in the cable TV industry, although it will not provide lines direct to people's homes. Mercury's extra costs. *Page 9*

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Bank of Wales	28	Northern Foods	28
Burnside Investments	28	Osborne & Little	28
Finmark	28	Outcrop Instruments	28
Flint	28	Philips	28
Golden Sachs	28	Rathbone	28
Gulson	28	Seab	28
Hawthorn	28	Salsland	28
JP Morgan	28	Sale Theory	28
Johnson-Pink Brown	28	Siemens	28
Lyttelton	28	Thomson	28
Mareston-Thompson	28	Tie Rack	28

Chief price changes yesterday

FRANKFURT (DM)			
Index	776	+ 11	Stress
Bank of England	258	+ 9	Bank of England
Bank of France	277.5	+ 15	Bank of France
Bank of Germany	273	+ 23	Bank of Germany
Bank of Italy	273	+ 23	Bank of Italy
Bank of Japan	273	+ 23	Bank of Japan
Bank of Spain	273	+ 23	Bank of Spain
Bank of Sweden	273	+ 23	Bank of Sweden
Bank of Switzerland	273	+ 23	Bank of Switzerland
Bank of the Netherlands	273	+ 23	Bank of the Netherlands

Chief price changes yesterday

LONDON (pence)			
Index	258	+ 11	Stress
Bank of England	258	+ 11	Bank of England
Bank of France	277.5	+ 15	Bank of France
Bank of Germany	273	+ 23	Bank of Germany
Bank of Italy	273	+ 23	Bank of Italy
Bank of Japan	273	+ 23	Bank of Japan
Bank of Spain	273	+ 23	Bank of Spain
Bank of Sweden	273	+ 23	Bank of Sweden
Bank of Switzerland	273	+ 23	Bank of Switzerland
Bank of the Netherlands	273	+ 23	Bank of the Netherlands

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Bank of Sweden	273	+ 23	Bank of Sweden
Bank of Switzerland	273	+ 23	Bank of Switzerland
Bank of the Netherlands	273	+ 23	Bank of the Netherlands

SD-Scicon rebuffs £116m GM bid

By Richard Gourlay in London

SD-SCICON, the UK computer services company fighting a hostile bid from Gray Electronics, yesterday received a counter-offer from Electronic Data Systems, a subsidiary of General Motors.

The 45p-a-share cash offer from the US vehicle group values SD-Scicon at £116m (£197m), some 21 per cent more than the cash alternative in Gray's offer and 57m more than its paper offer.

The SD-Scicon share price rose 4p to 47p on the stock exchange in London after the EDS bid was made.

SD-Scicon rejected the new overture, saying that both the

Gray and EDS offers were unsolicited and far too low.

Gray greeted the counter-offer with the claim that British Aerospace, holder of 25 per cent of SD-Scicon, had already given "irrevocable support" for its cash alternative.

The EDS undertaking is only binding, however, if by July 5 Gray has received acceptances from more than 50 per cent of shareholders and can declare its offer unconditional. After that date, BAE would be free to accept the EDS offer.

EDS claims to be one of the strongest information technology service companies in the world

with sales in 1990 of \$3.6bn (£2.1bn) and pre-tax profits of \$465m.

It has experience with the kind of fixed-price contracts that tripped up SD-Scicon and helped it to a £20m loss last year, rendering it vulnerable to a bid.

Mr Juergen Berg, EDS European group executive, said SD-Scicon would fit perfectly into the company's expansion plans in Europe and that there was a strong overlap in industry knowledge and technical skills.

However, EDS arrived in the UK in 1989 amid some controversy when some executives were told to tell immigration officials

that they were on holiday while their work permits were being processed.

Mr Clyde Ziegler, managing director of EDS's UK division, said he was confident that this incident would not prevent the company winning substantial orders in the UK public sector.

He said that, in 1989, EDS had won two contracts to run Department of Social Security data centres and nearly half its sales of £100m that year were in the public sector.

EDS-Scicon is understood to have been confident that it could have seen off Gray's bid based on

its defence, published on Monday, that it had put the worst of its troubles behind it. Brokers had estimated pre-tax profits of about £5m this year and £8m for 1992 compared to the £20m loss last year.

However, the emergence of EDS raises significant doubts that SD-Scicon will retain its independence.

The focus of the defence is likely to shift to whether EDS is offering enough and to possible further offers from other world-wide information technology companies seeking a foothold in Europe before the single market is completed in 1992.

Volvo unveils new car range

By Kevin Done in Gothenburg

VOLVO, the Swedish car and truck maker, yesterday unveiled a new range of large family cars, the 800 series, as the first result of the company's most ambitious development project.

Volvo said it had invested about SKr1.6bn (£2.5bn) to develop and produce the range, making it the largest single industrial project undertaken in Sweden. The 800 series is set to become the company's main volume car, eventually replacing the Volvo 700 series.

The range is likely to be the last car series to be developed alone by the company. Mr Pehr Gyllenhammar, Volvo chairman, confirmed yesterday that future product generations would be developed with Renault of France, the Swedish group's industrial partner.

The financial burden of developing the 800 series has hit Volvo's profitability in the last couple of years. The surge in capital investment and research and development spending has coincided with a recession in Volvo's main markets of the US, the UK and Scandinavia, plunging the car operations into loss in the last 18 months - with an operating loss of SKr855m in 1990.

With the range, Volvo has switched to front-wheel drive for the first time in its large cars.

Much of the SKr1.6bn investment for the 800 series has been spent on modernising Volvo's main engine, gearbox and stamping plants in Sweden. Volvo has also invested heavily at its assembly plant in Ghent, Belgium, where the series will be produced.

The car will be launched in Scandinavia in September; in Germany, the Netherlands, Belgium and Switzerland during the late autumn; in southern Europe and Japan early next year; in the UK, next summer; and in the US in September 1992.

Production is forecast to reach about 25,000 units in the first year, but Volvo aims to reach a peak output of more than 200,000 of the cars a year during the first half of the 1990s.

Volvo will decide next year whether to expand its assembly capacity in Ghent - currently about 135,000 a year - or to begin production of the series also in Sweden. However, Mr Gyllenhammar said that the Ghent plant had achieved 25 per cent higher productivity than the company's Swedish operations. Of the SKr1.6bn investment, some SKr1.2bn has been spent in Sweden and SKr20m in Ghent.

Imry agrees £400m rescue package

By Vanessa Houlder, Property Correspondent, in London

IMRY Group, the British company taken private in a highly leveraged £314m deal in 1989 at the peak of the UK property boom, has agreed a restructuring package under which Barclays Bank has increased its loans to Imry and its parent company to more than £400m (£380m).

The restructuring, accompanied by a change in ownership, reflects the fall in property values over the past year. This prevented Imry's parent company, Marketchef, from making sufficient disposals to repay its bank loans. It also risked a breach in loan covenants by Imry.

Mr Wolfgang Stolzenberg, Canadian businessman who was in the consortium that took over Imry in 1989, is buying out the other investors. Eagle Star and Prudential-Bache, which like Mr Stolzenberg, invested £31.7m in loan stock in Marketchef, both receive £2m for their holdings.

The equity investors have each received £1 for their original investment of £1.25m. In addition to Mr Stolzenberg, the equity investors were Eagle Star, Prudential-Bache and Development & Realisation Trust, a vehicle controlled by Mr Stephan Wingate, who engineered the Imry takeover.

"Mr Stolzenberg was prepared to buy out at more than the company is worth," said Mr Colin Parker, investment director at Eagle Star. "It was a highly geared property company which was acquired at the wrong side of the property cycle."

Barclays has extended its original £214m loan to Marketchef, Imry's parent company, on to a medium-term basis and agreed to roll up interest payments for a period.

It has also provided a new £200m loan to Imry, which was at risk of breaching its loan covenants following the fall in property values. The new money,

which largely stems from a £150m stand-by loan facility agreed at the time of the takeover, will pay back an £85m loan from a syndicate headed by Citibank and finance new trading opportunities. Barclays has also guaranteed a £19m loan on one of Imry's developments.

A spokesman for Barclays said that the restructuring reflected the change in the market place since 1989. The new loans were partly secured unlike its previous exposure, he added.

Barclays has also provided "significant" funds for a new joint venture involving Imry which will seek new investment,

trading and development opportunities. Mr Myers said that the new company, Commercial Property Corporation (CPC), was considering the acquisition of a £30m property portfolio, after which it would still have "tens of millions" available to it. Mr Myers said that Barclays' support for CPC "was a vote of confidence in the management".

CPC is a joint venture between Imry and a new company called Vines Management, set up by Mr Martin Myers, Imry's chief executive, to manage Imry's assets. Mr David Davies, chairman of Imry before it was taken over, will be the chairman of CPC.

Shocks and thrills from a new release

Karen Zagor reports on reaction to Time Warner's rights offer

LESS than two years after Time upset shareholders by rejecting a \$300-a-share takeover bid by Paramount in favour of a \$14bn merger with Warner Communications, the world's biggest media and entertainment company is rattling shareholders again with its confusing rights offer.

Last week, Time Warner announced it would issue \$4.5m new stocks through a \$20m-plus rights offering. Shock waves ran through the US investment community as Time Warner had been signalling to Wall Street for months that it expected some large international companies to invest in parts of its business to reduce the debt/equity ratio.

The Warner merger had loaded the company down with more than \$11bn of debt and servicing which pushed Time Warner into a 1990 net loss of \$227m although the company's annual cash flow of about \$2.3bn allowed it to comfortably service the borrowings.

The rights offer has confused and angered some investors. First, the company chose a British-style rights offering, under which investors are offered new shares in a company in proportion to their existing holdings, a technique almost unknown in the US. But even one British investment banker said: "To call it a rights issue is almost to confuse the term. It is a rights issue only in that current holders are being given the first crack."

The company, which has about \$7.5m shares on issue, will offer each shareholder 6/10 of a right at a price that will translate into \$105-a-share if the offer is fully subscribed. If fewer shareholders exercise their rights, the pool of new shares will be distributed between the subscribers, provided at least 80 per cent accept the offer. The lower the number of shareholders who take up their rights, the lower the price they pay per share, with a floor of \$63. Shareholders will not know how many shares they are allocated until after the offer closes.

There is a dual incentive to participate - although critics describe it as coercion. First, failure to take up the rights would mean dilution of an investor's stake in the company. Second, there is the possibility of buying the shares for as little as \$63 if enough shareholders balk at the issue.

The company's share price, which had climbed to \$120 on the New York Stock Exchange from about \$70 in September, tumbled 28 per cent in the three days after the rights issue news. By midday yesterday, the stock firmed \$14 to \$95.

If the share price does not recover and investors believe the take-up is likely to be high, they may simply walk away from the deal rather than pay a premium for new shares.

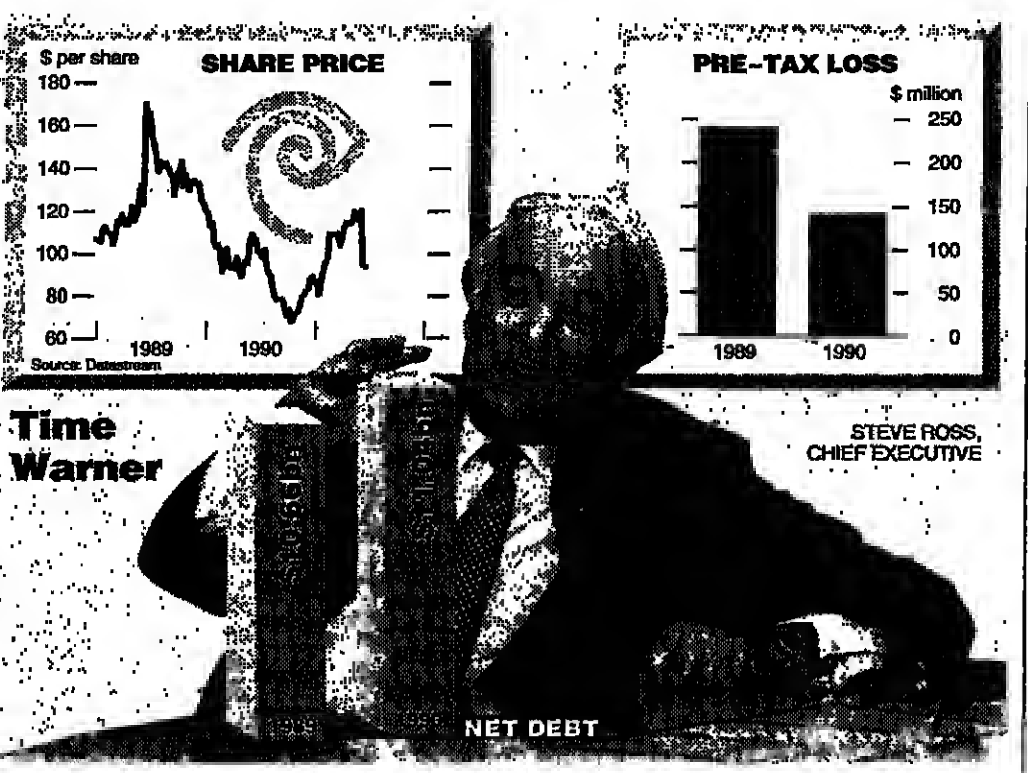
This could be one fatal flaw of the scheme. Another, claims a British banker, is that the uncertainty over the final price of the shares, makes it impossible for a market to develop in all-paid rights - a feature of the UK system which allows shareholders to sell the entitlement to buy rights issue shares.

The presence of an underwriter may help dispel the uncertainty around the offer, particularly as the rights are not being offered at a deep discount, but there is no underwriter for the deal.

The large number of investment banks involved in the deal has also upset shareholders. The aggregate fees are expected to range from \$41.5m to \$145m for what is perceived by some as little work and virtually no risk.

A money manager at Capital Guardian Research, which holds about 2.3m shares and will probably subscribe, believes the offer makes sense for the company in the long-term.

Other shareholders are less confident. Mr DeWitt Bowman, chief investment officer at the California Public Employees Retirement Fund, said: "We are



finding it difficult to determine how we will respond. It forces us into a speculative situation. From our perspective, there is definitely a sense of disappointment with the offer."

Time Warner expects proceeds of between \$2.1bn and \$3.5bn, which it will use against debt. A reduction in debt would strengthen Time Warner's balance sheet and the company hopes a lower debt load will help it attract the foreign investors it has been courting for "strategic alliances".

The jury is still out on the wisdom of the Time Warner merger.

Most of the cross-media ventures at Time Warner have been fairly minor. For example, subscribers to Time publications receive promotions for Warner films; Warner Brothers now has access to the Time Warner database, which helped the studio promote "Memphis Belle", a Second World War film, to people who had read war history novels. Warner's involvement was minimal in a big marketing package with Chrysler, which is expected to generate advertising revenues of more than \$40m.

Wall Street says the most immediate benefit of the merger is the debt that comes from size, allowing Time Warner to dominate most of its markets. Whether the company has the clout to persuade shareholders to cough up the cash for the rights offer is another matter.

Swiss insurer expects recovery

By William Dullforce in Geneva

WINTERTHUR, the Swiss insurance group, expects to renew its profit growth in 1991 after an unexpected 9.5 per cent drop in net earnings last year.

Premium growth during the first five months had been "very favourable", said Mr Peter Späth, chairman and chief executive. Recovery on the world stock markets allowed the group to take profits on investments. Earnings would also benefit from appreciation in US, Canadian and Australian dollars.

Mr Späth said a "certain optimism" was warranted that the

reversal of the trends on the securities and currency markets which had upset Winterthur's profit expectations last year would persist.

Last year net consolidated earnings fell to Sfr236.6m (\$157m) from Sfr261.3m in 1989, although premium income rose by 4.1 per cent to Sfr12.48bn, an increase equivalent to 9.7 per cent in local currency terms. Shareholders are receiving an unchanged dividend of Sfr68 per share and Sfr12.60 per participation certificate.

Winterthur's 1990 annual

report published yesterday marks a considerable advance towards a fully consolidated statement.

Shareholders' equity is restated at Sfr3.79bn against the Sfr2.66bn shown in the 1989 report. Under the new reporting principles the 1989 figure should be adjusted to Sfr4.66bn.

The decline in equity was revealed for 1990 stems from the depreciation of goodwill on the \$630m purchase of General Casualty, the US company bought last year, a decrease in equity in some foreign subsidiaries and the fall in value of stock investments.

This announcement appears as a matter of record only

Management buy-out of

Page

Page Engineering (Holdings) Limited
and its subsidiary
Page Aerospace Limited
from
AB Electronic Products Group Plc
for
£6,950,000

Arranged and led by:
LLOYDS DEVELOPMENT CAPITAL LIMITED

£3,100,000 of equity provided by
Lloyds Development Capital Limited
Kleinwort Benson Development Capital Limited
Phildrew Ventures

£3,250,000 bank finance arranged by:
Bank of Scotland

LLOYDS DEVELOPMENT CAPITAL

INTERNATIONAL COMPANIES AND FINANCE

Thomson to go on with merger plan

By Charles Leadbeater, Industrial Editor, in London

THOMSON, the French state-owned electronics group, will press ahead with plans for an eventual merger of its semiconductor operations with those of Siemens and Philips, despite receiving a cool response to the proposal earlier this week, Mr Alain Gomez, Thomson president, said yesterday.

Mr Gomez said the sceptical response from Siemens of Germany and Philips of the Netherlands to the idea of a merger with SGS-Thomson, the Italian-French chip maker, would not force Thomson to change tack.

He said political and commercial pressure would eventually force the companies to reassess their position. Mr Gomez said Thomson had no plans to seek a partnership with a Japanese or US chip maker as an alternative to a European merger.

Mr Gomez predicted accelerated cross-border restructuring in the European defence electronics industry in the wake of the end of the Cold War.

He predicted this would take the form of further cross-

border acquisitions and joint ventures.

The recent agreement between Thomson's defence electronics subsidiary Thomson-CSF and the UK's GEC-Marconi to form a joint company to research, develop and eventually produce the next generation of airborne radar was one model for the future, he said.

Mr Gomez said there was an urgent need for open competition in European defence procurement and greater cohesion to defence policies to ensure European companies would be strong enough to meet the challenge which Japanese and US producers would mount at the end of the decade.

He indicated that the French industry was most in need for further consolidation in line with similar moves in Germany, Britain and Italy.

In contrast with other areas of electronics such as semi-conductors and consumer electronics, where European producers already faced a Japanese onslaught, there was a need for greater protectionism, he said.

Tate may modify bid for Bundaberg

By David Owen in London

TATE & LYLE will probably modify its hostile AS\$25m (US\$24.4m) bid for Bundaberg Sugar, Australia's third largest raw sugar producer, following yesterday's approval of the offer by Australian foreign investment authorities.

Mr Neil Shaw, Tate chairman and chief executive, said that it was "highly likely" that the UK sweeteners group would amend its condition that the bid receive 90 per cent shareholder acceptance.

It remained in the balance whether the threshold for acceptance was amended to 50 per cent or nearer two thirds, he said.

Mr Shaw stressed that Tate would "walk away" from the Queensland sugar miller and rum distiller rather than again raise its revised AS\$4.10 per share offer.

Mr John Karin, the newly appointed Australian treasurer, yesterday announced he had no objection to the Tate bid and that an interim order blocking a takeover had been revoked.

This ended a three six-week wait after the submission of advice from The Australian Foreign Investment Review Board (FIRB) to Mr Paul Keating, the former treasurer.

The treasurer has the discretion to accept or reject an FIRB recommendation.

Tate launched its offer on March 19 at an initial AS\$3.70 a share, valuing Bundaberg at AS\$290m.

Bundaberg is Tate's first hostile bid since it won Staley Continental, the US corn syrup producer, in 1988.

Institutional battle ahead; Page 29

Goldman Sachs heads towards a half-way house

Richard Waters reports on the US investment bankers' moves to becoming a European partnership

Goldman Sachs, the US investment bank, is half-way to becoming a European investment bank. Like some other US houses, it has made great headway in the past five years in the continent's cross-border investment markets - although the most difficult steps still lie ahead. Its ability to negotiate these will help to determine the future shape of the European investment banking business.

In revenue terms, Goldman is already a significant force. Its European operations made a quarter of the group's worldwide profits last year, according to Mr Eugene Fife, chairman and managing director of Goldman Sachs International. That is equivalent to some \$150m, if rumours of the \$600m profits made by this very private partnership are to be believed. It employs only a sixth of the group's 6,700 staff.

In terms of its presence in London, Goldman also figures prominently. While other investment banks are shedding staff and trimming overheads, Goldman has just moved into a gleaming new colossus of an office block, built in London's Fleet Street, former home of the newspaper industry.

The building is reminiscent of the ego-driven expansion of the investment banking world before the October 1987 stock market crash. It was conceived only months before the crash, in fact, when Goldman bought the site from The Daily Telegraph. But the outward impression belies the steadiness of Goldman's development.



Eugene Fife: European operations made a quarter of group's worldwide profits

Having developed the building at a cost of \$250m, (\$425m) Goldman sold half the equity to an insurance company and has let half the space. It reckons the rental costs are about equal to what it would have paid for its old London offices, which were due for a rent review (the building was built by and is owned by one group of Goldman partners, and is let to the current partnership - hence the need to get an arm's length rent).

However, considering its signifi-

cance to Goldman, the European business seems almost peripheral in management terms. Of the bank's 146 general partners - those who have an equity interest in the firm - only 17 are based at its European headquarters in London. Of these, just five are non-American. Goldman needs more partners in Europe and more European nationals as partners.

Mr Fife says that Goldman does not operate a revolving-door policy, spinning senior US staff through Europe and back out again, but this is only part of the task of building a separate management with the clout to establish itself in the Goldman hierarchy. Goldman has made its name in Europe through cross-border mergers and acquisitions and privatisation work. Its appointment to advise ICI, following Hanson's abrupt appearance on its share register, has confirmed that standing.

In the league-table obsessed investment banking business, Goldman is persistently at or near the top in terms of cross-border M&A. Such super-leagues need to be taken with a pinch of salt, as they do not distinguish between advisers' functions.

For instance, Goldman was associated with the merger this year of Nationale-Nederlanden, the Netherlands' biggest insurer, and NMB Postbank, but it was there only to give an independent opinion on the terms of the deal, not to advise.

When asked which banks have been the most successful in European M&A, though, competitors all mention Goldman first.

Having avoided the buying madness that preceded London's Big Bang in 1986, it has taken Goldman considerable time to develop its own equity research and sales staff. Though small (with just 22 researchers, who also work on corporate deals), the equity side has recently graduated to some big bought deals, most notably for Elsevier, the Dutch publisher, late last year.

Hardly any of the investment banking operations in London are driven from the US. Only 18 per cent of the deals last year involved a US corporate client - compared with roughly 30 per cent five years ago, when Mr Fife came to London. The precision of the calculation betrays Goldman's anxiety to change the popular image of US banks in Europe.

Elsewhere, European income is heavily dependent on US clients. Many of the trading activities, from foreign exchange to fixed income, work largely for the London arms of US financial institutions. And despite a strong range of businesses based in London, there are still surprising weaknesses - principally asset management. While it manages around \$28bn in the US, it has only begun to develop skills in London in this area in recent months.

Two things are likely to determine whether Goldman still stands at or near the top of the heap by the end of the decade. First, it needs to establish a stronger presence on the Continent. Its success at building a corporate client base aside, it still feels like an

outsider. It makes much of having panels of eminent local advisers to help it with the customs and cultural oddities of countries in which it operates. But this only serves to highlight the insecurity the bank feels when it comes to dealing with Europeans.

Goldman also has few people outside the UK (about 100, in various branch offices). Relocating 1,000 people in a flagship headquarters in London demonstrates its confidence in that city's place in Europe for some time to come, but appears to turn its interest away from the continent.

Goldman plans to increase its London office space - and by implication its London staff - by a third in the next five years, according to Mr Donald Opatruy, the partner who masterminded the new office development.

But another London partner says he expects the London staff to decline in the coming years as more skills are exported to the continent.

The second challenge is the extent to which Goldman can bring Europeans into senior management positions.

Mr Fife talks warmly of the international outlook of a competitor, J.P. Morgan, epitomised by the multinational flavour of its senior staff - although he stops short of pointing to it as a role model for Goldman. Building a stronger European partnership will take time. The bank creates partners only once every two years, and it is nearly 18 months before the next round is due. By then, US-dominated senior management in London will look even more of an anomaly.

Saab to get SKr5.5bn injection

By John Burton in Stockholm and John Griffiths in London

SAAB AUTOMOBILE is to receive SKr5.5bn (\$900m) from its joint owners, Saab-Scania and General Motors, to cover losses and help finance an ambitious new model programme.

The capital injection, with Saab-Scania and GM each providing half, will consist of new equity and subordinated loans.

It will bring to more than \$1.15bn the total amount invested in Saab Automobile by GM since it acquired a 50 per cent stake in the Swedish car manufacturer at the end of 1988.

The strengthening of Saab Automobile's capital structure will enable it to seek a medium-term loan to handle the rest of its funding needs. Saab Automobile suffered a loss of SKr4.6bn in 1990, its

first year of operation as a joint venture between Saab-Scania and GM, and it reported a loss of another SKr1bn during the first quarter of this year.

The losses have almost wiped out the company's original equity of SKr6.4bn.

The losses reflect not only declining sales, but also an extensive rationalisation programme, including the closure of Saab's modern car assembly plant in Malmo, opened only 18 months ago, in order to ease overcapacity.

Saab plans to introduce three new car models by 1995. The first, a successor to the elderly 900 series, is scheduled to be launched within two years.

This will be followed by replacement of the 900 series

and the addition of a top-of-the-range luxury car.

Saab sales have fallen steeply in the past couple of years to \$3.231 in 1990 from a peak of 127,190 in 1986 - with a particularly sharp decline in the US.

By contrast, in 1986/87 Saab could not build enough cars to keep up with demand and it was projecting sales rising to 150,000-180,000 by the mid-1990s.

GM is relying heavily on Saab to increase GM's presence in the European executive car market, where the performance of its top of the range Opel/Vauxhall Senator has been disappointing. Its strategy is similar to that of Ford, which spent just under \$1.5bn (\$2.55bn) acquiring Jaguar of the UK.

Hafnia takes property stake

By Enrique Tessieri in Helsinki

HAFNIA, one of Denmark's largest insurance-based finance groups, has acquired a 40.8 per cent stake in Christianshavns Oplagsplads, ending a 6-month struggle for control of the property company, writes Kueiling Lin in Copenhagen.

The stake was sold by Accumulator Invest, the investment company owned by Mr Klaus Risker Pedersen, a Danish financier.

According to Accumulator, the sale returned a profit of DKr20m (\$2.94m) with the shares in Christianshavns Oplagsplads trading at about DKr70. Mr Pedersen has also agreed to retire from the disputed company's board.

The purchase by Hafnia removes a stumbling block to its plans to expand into property development.

Finnair hit by recession

By Enrique Tessieri in Helsinki

FINNAIR, Finland's state-owned flag carrier, suffered a 40.8 per cent drop in pre-tax profit for the year to March 31 1991 compared with a profit of FM\$47m for the previous 12 months.

The airline's result after financial items plummeted to a loss of FM\$121m from a profit of FM\$224m, while operating results also plunged to a deficit of FM\$58m from a profit of FM\$207m.

Net sales rose by 5 per cent to FM\$5.5bn from FM\$5.34bn. Finnair blamed its poor result on the Gulf war and the severe recession in Finland, which have jointly helped to undermine passenger volumes and profitability.

The company also said that improvements in profitability were only possible through

restructuring and by cutting the size of Finnair's fleet, route network and operating organisation.

The airline said it will propose a dividend for 1990 of 0.80 markkaa, the Finnish confederation, packaging pharmaceuticals group reported a 34 per cent drop in profits before appropriations and taxes in the first four months of this year to FM\$10m.

Mr Timo Pellola, president, said the group's interim results were undermined by a recessionary business climate in the company's key markets, including the US.

A virtual halt in drug exports to the USSR because of payment uncertainty had also held back the company. Profit after financial items slid to FM\$23m from FM\$10m.

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These factors are strongly reflected in Garanti's financial statements for 1990 and promise a trend that will continue in 1991.

	1990	% increase		
	TL Billion	over 1989	US \$ Billion	
Total Assets	5,925.8	41 %	International	
Profit	187.0	220 %	Business	
Shareholders'			Volume (1990)	5,5
Equity	653.2	91 %	First quarter 1991	1,2

GARANTI BANK

For further information and a copy of our Annual Report (with audited financials) together with the 1991 first quarter report, please contact:
Mr. Arslan Acar, Executive Vice President, 40 Nurettin, 80000 Taksim-Ishtanbul/Turkey Tel: (90-1) 149 10 65 Tlx: 24530 gati l Fax: (90-1) 151 45 49
Mr. Ilhan Nefioglu (London Representative Office) 141-142 Peachtree St. London EC3N 8RL Tel: (44-71) 026 2803 Tlx: 8013102 gati g Fax: (44-71) 029 55 82

Making things happen. DSL Bank.

BALANCE SHEET '90			
Business volume		in DM millions 50,232	
Total assets			49,339
Claims on customers	25,601	DSL-Bonds outstanding	28,444
of which: long term	24,337		
Claims on banks	13,539	Liabilities to banks	10,421
Securities	3,517	Liabilities to other customers	2,095
Transmitted loans	5,599	Liable capital	833
(on a trust basis, special-purpose funds)		(as of December 31, 1990)	

DSL Bank made new loan commitments totalling DM 5.95 billion. The balance sheet total rose to DM 49.34 billion.

DSL Bank has branches in nine cities in western Germany. Since 1990 the bank has also established offices in eastern Germany: in Dresden, Erfurt, Leipzig, Magdeburg and Schwerin.

This development creates new opportunities for DSL Bank. We would like to thank our customers and business partners for cooperating so successfully with DSL.

DSL Bank

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Reforms To Boost Industrial Growth

Prime Minister Nawaz Sharif in his campaign promises to the election on October 24, 1990, placed a series of economic reforms.

Following an overwhelming victory, the Government has embarked on a course of serious development in every sector of the economy.

On November 6, 1990, Nawaz Sharif, 42, was sworn in as Prime Minister of the Islamic Republic of Pakistan, a country

of wealth, a more socialistic economy had been fashioned. The 1970s saw the Bhutto Government's nationalisation of banks, small and large industries and the subsequent creation of some 120 managerial corporations. The result was massive losses all around.

The present Government has chalked out a clear-cut programme for the country's well-being. In sum, a wide spread industrialisation, privatisation, controlled government spending, deregulation and lifting of restrictions to open the door to foreign investment trade.

"We have committed ourselves to the goal of a prosperous Pakistan and I hope that our attempts to reinvigorate the financial sector will soon bear fruit."

"I have full faith in the abilities of our private sector that they would be worthy of the confidence reposed in them by the Government."

"While the process of privatisation is being implemented, my Government will take adequate measures to safeguard the rights of workers," Mr. Sharif added.

The vision is fast becoming reality. In true entrepreneurial spirit the private sector has responded to the challenge by setting up banks, bidding for airline licences, and telephone networks, building toll roads, operating ports.

An industrial power of the future

Pakistan has a labour force of 32 million. The country's quest to become an industrial power takes strength from the availability of skilled manpower, low cost, strategic location and a large consumer base.

T.Z. Farooqi, Secretary, Ministry of Industries, explained that "Pakistan offers a competitive advantage in terms of local costs, real estate prices here are

more, our industrial policy is not designed to benefit industrialists and investors. In fact, it has been formulated to solve the problems now confronting the country."

Indeed in the aftermath of the election 1990, Pakistan was a country overloaded with foreign debt and restricted by Government policies that controlled small and large industries nationwide. The Gulf crisis, rising cost of fuel, an upward-bound figure of domestic inflation, and the decline of the funds hitherto remitted by hundreds of thousands of Pakistani workers in the Middle East, all contributed to the country's dismal economic scenario.

The problems with the country's industrial growth go back to the 1960s. Federal Finance Minister Sarfraz Aziz, a co-architect of the new economic policies, explained that to prevent the restricted distribution

of three Government agencies to raise loans abroad, they can now negotiate these themselves, and merely inform the State Bank of the terms and conditions agreed.

Importers can approach banks directly to open a line of credit. For financing fixed investments, foreign controlled companies can obtain advances from local sources without prior approval of the Government or the State Bank of Pakistan. Collateral on interest rates and fees and periods for foreign loans have been abolished.

The limits on payment of technical fees and royalty have been removed. Constraints on the use of foreign loans in the acquisition of technology have been eliminated.

Restrictions on foreign equity in companies, once limited to 49 per cent, have been lifted so non-Pakistanis can now wholly own local companies. They can also take out profits at any time, in the currency of their choice.

Restrictions on work permits for managerial and technical personnel from abroad have been removed and expatriates employed in Pakistan are no longer limited to remitting only 50 per cent of their net income.

The Nawaz Sharif Government in taking these radical steps, has created an ideal investment climate in Pakistan.

Government-Business Relationship Enters A New Era.

Along with Prime Minister Nawaz Sharif, Federal Finance Minister, Senator Sarfraz Aziz is the driving force behind Pakistan's rapid, innovative reforms. Here he speaks of his macro-economic theories directed toward creating a modern, obstacle-free government-business relationship.

Mr. Aziz believes that the private sector is best capable of handling business. The Government's job is to formulate foreign policy, maintain law and order and care for the poor, he adds.

Such being the inspiration, the Nawaz Sharif administration's greatest achievement in its six months in power has been to improve the relationship between the government and business. They have to work together in a regulated format, they work at cross purposes. The government thinks it must regulate, the private sector tries to circumvent regulations. We have started to create a new relationship between the public and private sectors in which we leave them alone and they discharge their responsibilities, paying taxes, exporting more and so on," he explains.

The effect of the philosophy is indeed evident. Mr. Aziz elaborates: "You can see it in the stock exchange which has been going up, in the increase in exports and the desire for more investment."

As part of the reforms, the Government has opened areas outside the private sector, such as telecommunications, highways, power, gas, shipping, air-

line and cargo handling at Qasim and Karachi ports. Parties from the Middle East have expressed interest in Pakistan's new economic order, and are eager to bring investment. The Middle East represents a large market for Pakistani exports given its geographical proximity.

The Japanese who have a strong presence in the automobile industry in Pakistan are also looking to participate in the country's engineering industry.

All in all, Pakistan represents a safe haven in the region for foreign investment, the Finance Minister points out. "It has a large domestic market and is close to other markets. We have a great deal of natural resources — a lot of sunshine for solar technology, water resources, good agro processing, fantastic agriculture, hydro-power. And we have cheap and skilled labour."

Asked whether the Government intends to shift Pakistan from an agricultural to an industrial based economy, Mr. Aziz explained: "Industry will obviously grow as a proportion of the total. Right now, agriculture is about 25 per cent, industry about 20 and the rest is in services."

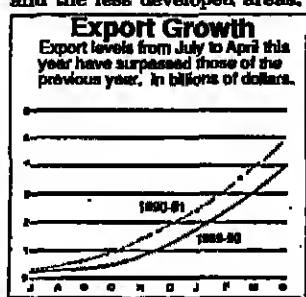
"The agricultural share will not fall much because it will grow in total. Even our industrial sector will have a base in agriculture, such as cotton, fruit, vegetable and livestock products. Agriculture will thus remain important domestically as it provides jobs, food, fuel, and raw materials. Industry will become more important in the export sector."



"In high value industries such as electronics and computer software, we have a good base. We also have a large engineering sector," Mr. Aziz adds.

While enthusiastically guiding Pakistan's economy well into a new century, the Finance Minister expresses concern about the social aspects of development. "Privatisation must be accompanied by a parallel programme to look after the poor and the less developed areas."

The enthusiastic response of business and investment circles in Pakistan and overseas to the recent reforms confirms that Mr. Aziz is on the right track. Pakistan is poised to become a growing industrial force in the Asian continent.



Now A Positive Climate For Foreign Investment

As part of its bold, decisive economic reforms, the new Government has done away with obstacles to smooth the way for foreign investment.

Pakistan is to become an economic role model for the region. Such are the aims of the Nawaz Sharif Government, and it is fast headed to attain its objectives. On January 5, 1991, the Prime Minister deregulated a wide range of industries to the amazement and pleasure of local business and financial circles.

A first, and radical move was the deregulation of the industrial sanctioning procedure. Now, foreign investors can liberally invest and become involved in any industry, barring arms, armaments, explosives, currency and security printing, radioactive material, alcohol (except for industrial use). They can build plants of any size, anywhere with any sponsor and without Government approval.

The present Government has added to its ongoing programme to improve every facet of the nation's industrial set up. There are plans to establish the Pakistan Quality Control and Standard Authority to upgrade design, production, and distribution of exports. The Government will also partly fund training institutions along with the private sector to improve labour and management productivity in the areas of garment, engineering, carpet manufacturing and fisheries.

Worldwide awareness created To initiate worldwide awareness of Pakistan's bid to attract foreign investors, the Finance Ministry is sponsoring an Investment Promotion Conference in Islamabad in November this year. The World Bank and MIGA.

Programme with industry, labour and government leaders in Washington and Islamabad, he pointed out that Pakistan had "shortened the process, spending less time than other countries in studying and restructuring companies before selling them off."

(Multilateral Investment Guarantee Agency), an affiliate of the World Bank, in collaboration with other international agencies is organising this three day international investment conference. About 250 foreign and local participants are expected to attend. Feasibility studies are already under way.

Emphasis will be put on some 50 industries, including electronics, fertilisers and pharmaceuticals, that are deemed to be of interest to foreign holders of capital.

The open-door investment policy now extends to hitherto non-traditional areas: the power, transportation and communications sectors. Private investors are invited to bid for airline and air charter licences in direct competition to the flag carrier, Pakistan International Airlines (PIA).

"We welcome proposals from developers interested in constructing toll roads," says an Islamabad official referring to plans for the construction of the 300 Km. four-lane toll highway between Lahore and Islamabad.

Foreign investors from Europe, Asia and the US have already climbed on the bandwagon in this new favourable investment climate.

A delegation from the giant Korean Daewoo Corporation has visited Islamabad, and contacts have been established with Japanese automobile and engineering concerns. The Commonwealth Secretariat in London and CIDA (Canadian International Development Agency) have also indicated their keenness.

"Ours is now the most advanced open policy to the world," claims a proud spokesman for the Finance Ministry in Islamabad.

For further information, contact: Abdul Rauf Malik, Deputy Secretary, Ministry of Industries, Room 129, Block A, Pakistan Secretariat, Islamabad, Pakistan. Tel: 92-51-822314 Fax: 92-51-825430 Telex: 5774 MIMD PK



Pak Arab Fertiliser Factory, Multan

Privatisation—Return To Dynamism

The new government quickly moved to return all state-owned industries and services to the private sector. Banks, power plants, telephone companies, cement factories, sugar mills and more will be sold off.

"We received the mandate in the 1990 elections to get on with privatisation," said Mr. Sarfraz Aziz, in charge of the high-powered Commission overseeing the dismantling of the over-loaded public sector.

As a first step, over 100 industrial units will be disinvested, denationalised and deregulated.

Up for sale in December 1990 was the Muslim Commercial Bank, nationalised along with other banks in 1974. It was purchased by a consortium of 12 companies.

Next to go on the block was the Allied Bank and five others including the large United Bank and Habib Bank will be sold off in due course.

Sales planned of over 100 units

The privatisation programme extends to some ten areas encompassing state-owned enterprises dealing with cotton and rice exports, bakeries (the Roti Corporation), clarified butter, chemicals, ceramics, cement, fertilisers, energy, automobiles,

steel mills, and engineering products. Investors are being offered ports, power grids and telecommunications. Whole telephone networks will be open to private bidders local or from overseas as advertised nationwide and in papers in the Gulf and UK.

Mr. Qadir's enthusiasm is evident. He mentioned being approached by a major American financial set up, Morgan Stanley, with a view to future investment.

The concept of state-controlled economy has staunch supporters in Islamabad. The Privatisation Commission has thus set stringent guidelines in awarding bids to avoid charges of conflict of interest. First right of refusal to nationalised business will go to the original owners, and buyers will have to match the best bid.

The Government is cautious of any labour issues. It has devised an employment programme guaranteeing that the new employer cannot release labour for 12 months. "We are also offering labour a chance to retrain in other trades," Mr. Qadir explained.

Truly exciting times

Foreign industry analysts are impressed with the Government's efficient approach to the privatisation programme. Steven Steckler, Senior Manager of Pricewaterhouse's Transportation and Utilities Group called it "amazing." Speaking on Worldnet's Satellite Dialogue

Foreign Exchange Handling Has Never Been Simpler

There's a welcome change and a pleasant surprise for those who experienced the old tiresome procedures of foreign exchange handling in Pakistan.

Prime Minister Nawaz Sharif's announcement on February 7, 1991 of wide-ranging economic reforms includes eased rules for importing exchange as well as repatriating private and corporate benefits. It's all part of the bid to attract foreign capital.

"These reforms will create an exchange and payments system conducive to foreign investment, trade and exchange resources mobilisation," a Government spokesman explains. "They will enhance investor and general public confidence, promote investments and allow greater freedom in international payments."

Great Public Confidence, More Investment Freedom

Under the old order, only foreigners could hold foreign currency accounts in Pakistan. The sweeping measures have brought in the facility that anyone can hold a foreign exchange account in Pakistan, withdrawing funds, transferring money liberally. A first sign of these "encouraging times" appears as a poster at a Karachi Bank: "You can open your US account here - free of all foreign control regulations." Thus, no questions are asked as to the source of funds.

Although, the Pakistani Rupee

is not as yet fully convertible, anyone can buy foreign currency in the open market with Rupees and use it to open foreign currency accounts to make payments locally or abroad.

T.Z. Farooqi, Secretary, Ministry of Industries says "There's an old saying in international finance that foreign capital comes where it is profitable and stays where it is safe."

Likewise, investors need no longer be afraid to put money in Pakistani banks for fear of restrictions in getting it out.

The economy is now totally open to investors: foreigners, local and non-resident Pakistanis can now invest in shares of companies quoted on the country's two stock exchanges at Karachi and Lahore by payment of foreign exchange. Remittance of principal and dividend against such shares is allowed without any prior permission, although capital gain taxes will be charged.

A Government paper has been released outlining the new rules. It explains that local borrowing entitlements for working capital needs of foreign controlled manufacturers have been enhanced. Limits on local borrowings for export oriented enterprises have been removed. Where companies previously needed the approval

of three Government agencies to raise loans abroad, they can now negotiate these themselves, and merely inform the State Bank of the terms and conditions agreed.

Importers can approach banks directly to open a line of credit. For financing fixed investments, foreign controlled companies can obtain advances from local sources without prior approval of the Government or the State Bank of Pakistan. Collateral on interest rates and fees and periods for foreign loans have been abolished.

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Restrictions on work permits for managerial and technical personnel from abroad have been removed and expatriates employed in Pakistan are no longer limited to remitting only 50 per cent of their net income.

Pakistan Steel, Karachi

GAZ MÉTROPOLITAIN, Inc. NOTICE OF MEETING OF HOLDERS OF DEBENTURES

NOTICE IS HEREBY GIVEN on behalf of Gaz Métropolitain, Inc. (the "Company") that there will be a general meeting of the holders of the 11% Debentures due December 1, 1991, the 11% Debentures due November 15, 2003, the 10% Debentures due December 15, 2006 (collectively, the "Canadian Series Debentures"), the 14% Debentures due December 1, 1991, the 13% Debentures due October 31, 1994 and the 10% Debentures due December 15, 1995 (collectively, the "European Series Debentures") (the Canadian Series Debentures and the European Series Debentures being hereinafter collectively referred to as the "Debentures") of the Company issued under a trust indenture, dated as of July 15, 1982, as supplemented by seven supplemental trust indentures, all executed between the Company and La Compagnie de Fiducie Canada Permanent (now replaced by Montreal Trust Company of Canada), as trustee (the "Trustee"), (such trust indenture and supplemental trust indentures being hereinafter collectively referred to as the "Trust Indenture"), which will be held at the Ritz-Carlton Hotel, in the Grand Room, 1228 Sherbrooke Street West, Montreal, Quebec on Friday, July 12, 1991 at 10:00 a.m. (Montreal time). The meeting will also constitute a special meeting of the holders of each series of Debentures, within the meaning of the provisions of the Trust Indenture, since each series is differently affected. The meeting and the special meetings are called for the purpose of considering and, if deemed advisable, passing, as an Extraordinary Resolution pursuant to the provisions of the Trust Indenture, a resolution for the following purposes, namely:

- To approve the transfer of substantially all of the business and assets of the Company to Gaz Métropolitain and Company, Limited Partnership ("GMI Partnership").
- To increase the interest rate payable on all outstanding Debentures of the Company by 1/2 of 1% per annum effective at the date of the above mentioned transfer.
- To restate and supplement the Trust Indenture in the following summarized manner:
 - by making GMI Partnership a party thereto to guarantee payment of principal of and interest on the Debentures;
 - by creating a fixed and specific charge of second rank on the Company's lines and gas system as they will exist at the date of the above mentioned transfer and a floating charge on all other assets of the Company to secure the Debentures, which charge will rank after the first and floating charges securing the First Mortgage Bonds of the Company;
 - by replacing the existing covenants of the Company with respect to (i) negative pledge, (ii) the issue of additional Funded Debt, (iii) the distributions to shareholders and (iv) the sale of assets, by joint covenants of the Company and GMI Partnership significantly to the same effect with respect to GMI Partnership as those contained in the Trust Indenture;
 - by adding new covenants to the following effect:
 - subject to certain exceptions, the Company will not engage in any activity or carry on any business and will not acquire any property, securities or assets of any person other than GMI Partnership, except for its activity or business as general partner of GMI Partnership, the management of its property and assets and the property and assets owned or held by Novoro Inc. prior to its amalgamation with the Company;
 - the only additional Debt that the Company will be entitled to issue, assume or guarantee will be Debt that will have to be used for the purposes of GMI Partnership and Subordinated Debentures, subject to certain exceptions;
 - the Company will not issue any additional series of First Mortgage Bonds;
 - any change of the general partner and any disposition by the Company of any or all of its interests in the shares in GMI Partnership will have to be approved by an Extraordinary Resolution of the holders of the Debentures;
 - GMI Partnership will not carry on any activities other than activities in the energy sector which are regulated by a regulatory authority and Non-Regulated Gas Activities. GMI Partnership will not be entitled to increase its interests in Non-Regulated Gas Activities if after giving effect thereto the aggregate amount of the interests of GMI Partnership in Non-Regulated Gas Activities would exceed an amount equal to 10% of its assets.

For more details regarding such new covenants, reference is made to subheadings "Covenants of GMI" and "Covenants of GMI and GMI Partnership" under the heading "Security and Covenants of Long Term Debt After Giving Effect to the Reorganization—Second Bank Trust Deed" in the Statement in Respect of the Reorganization of Gaz Métropolitain, Inc., copy of which is sent to each holder of registered Debentures and copies of which may be obtained from the Trustee, from The Law Debenture Trust Corporation p.l.c. or from any Paying Agent mentioned below.

- To confirm that the 11% Debentures due November 15, 2003 and the 10% Debentures due December 15, 2006 will be no longer redeemable prior to maturity.
- To authorize and direct the Trustee to enter into with the Company any deeds supplemental to the Trust Indenture in such form and with such additions or alterations as counsel may advise as necessary or desirable to give effect to the provisions of the Extraordinary Resolution and to execute all such other documents and do all such other things as may be necessary or advisable for the purpose of carrying out and giving effect to the provisions of the Extraordinary Resolution.

This notice is given at the Company's request pursuant to the provisions of the Trust Indenture to the intent that any Extraordinary Resolution passed at the said meeting or any adjournment thereof shall, if passed in accordance with the provisions of the Trust Indenture in this behalf, be binding upon all the holders of Debentures, whether present or absent at such meetings or any adjournment thereof, and the Trustee (subject to the provisions for its indemnity contained in the Trust Indenture) shall be bound to give effect thereto accordingly, and to the further intent that to considering and/or passing any resolution, extraordinary or otherwise, such meetings may modify, amend, change, simplify, add to or omit any of the matters and things herein before specified, it being stipulated that the foregoing does not purport to set out the terms of any resolution or resolutions to be proposed at the meetings, but only to state briefly the general nature of the business to be transacted thereat.

At the general meeting, the quorum shall consist of holders of Debentures present in person or by proxy and representing more than 50% in principal amount of the outstanding Debentures. In the event of such quorum not being present within 30 minutes after the time appointed for the meeting, the meeting may be adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be fixed by the Chairman. Not less than 10 days' notice shall be given of the time, the place of the adjourned meeting and the date to which such meeting is adjourned in the manner provided in the Trust Indenture. At such adjourned meeting the quorum shall consist of the holders of Debentures then present in person or by proxy.

AND NOTICE IS HEREBY FURTHER GIVEN that pursuant to the Trust Indenture the following regulations have been made for the purposes of enabling the holders of Debentures to present and vote at the said meeting and the special meetings and any adjournment thereof without producing their Debentures and of enabling them and the holders of registered Debentures to be represented and vote at such meetings and any adjournment thereof by proxy and of lodging such proxies at some place or places other than the place where the meetings are to be held:

- Holders of Debentures may vote in person or by proxy at the meeting and the special meetings or any adjournment thereof and a proxy need not be a holder of Debentures.
- The holder of an unregistered Canadian Series Debenture may deposit the same with the Trustee, at any of the offices of the Trustee mentioned below, and the holder of an unregistered European Series Debenture may deposit the same at any of the offices of any Paying Agent listed below, which will issue a certificate of deposit in respect of such Debenture, and any person producing at the meeting and the special meetings or any adjournment thereof such a certificate of deposit to his favour, signed by or on behalf of the Trustee or a Paying Agent, or depositing such certificates with an instrument appointing him proxy, in form and terms and as to signature satisfactory to the Trustee, signed by the person named in such certificate, shall be entitled to be present and vote at such meetings and any adjournment thereof.
- The holder of a registered Debenture may by an instrument in writing in form and terms and as to signature satisfactory to the Trustee appoint any person as his proxy to vote for him at the meeting and the special meetings and any adjournment thereof without producing the Debenture.
- A proxy should not be given in favour of Montreal Trust Company of Canada, The Law Debenture Trust Corporation p.l.c. or any of their officers.
- A proxy may be revoked by filing with the Trustee a written notice, provided that it has not yet been exercised.
- Any instrument of proxy in favour of the person named in such instrument (i) will be not valid as specified, but if no specification is made, will be void in favour of the adoption of the Extraordinary Resolution referred to in this Notice, and (ii) will confer discretionary authority with respect to amendments to the matters referred to in this Notice and with respect to any other matters that may properly come before the meetings.
- The deposit of certificates of deposit and instruments of proxy may be made at the meetings or any adjournment thereof or prior to the meetings or any adjournment thereof at any of the offices of the Trustee mentioned below, at the offices of The Law Debenture Trust Corporation p.l.c. or at any of the offices of any Paying Agent mentioned below.
- The Trustee may permit the forwarding of particulars of such certificates of deposit and instruments of proxy by letter, cable, telex, or telecopy before a meeting and may permit such certificates of deposit and instruments of proxy to be deposited to be voted upon as though such documents themselves were produced at the meetings.
- The Trustee may dispense with any such deposit and may permit holders of Debentures to make proof of ownership in such other manner as the Trustee and the Company may approve.
- Save as aforesaid the only persons who shall be recognized at the meeting and the special meetings or any adjournment thereof as the holders of Debentures or as entitled to be present and vote at the meeting and the special meetings or any adjournment thereof in respect thereof shall be persons who produce registered Debentures at such meetings and the holders of registered Debentures.
- Forms for deposit of Debentures, certificates of deposit, deposit receipts and proxies may be obtained by:
 - holders of Canadian Series Debentures upon application to the Trustee, Montreal Trust Company of Canada (Attention: Corporate Trust Services) at any of its following offices:

15 King Street West, Halifax, Nova Scotia B3J 3C3 Tel: (902) 421-1333	1785 Scars Street, Regina, Saskatchewan S4P 2C1 Tel: (306) 525-3786	510 Burrard Street, Vancouver, British Columbia V5C 3R1 Tel: (604) 661-9400
1800 McGill College, Montreal, Quebec H3A 3K2 Tel: (514) 982-7213	221 Portage Avenue, Winnipeg, Manitoba R3B 2A6 Tel: (204) 943-0451	53 King Street, St. John, New Brunswick A1B 1G3 Tel: (506) 632-2141
 - holders of European Series Debentures upon application to The Law Debenture Trust Corporation p.l.c., Princes House, 95 Gresham Street, London, EC2V 7LY, England, at: David Norris or Robin Baker, tel: 071-606 5431, Fax: 071-606 0643, or to any Paying Agent listed below:

Commerzbank Aktiengesellschaft, Neue Mainzer Strasse 52-56 D-6000 Frankfurt Germany Attn: Reinhardt Fischer Tel: 49-69-1362-2978	Kreditbank N.V., Archestraat 7 B-1000 Brussels Belgium Attn: Stefan Kiesel Tel: 32-2-517-5122	Morgan Guaranty Trust Company of New York, 14 Place Vendôme Paris 75001 France Attn: Marc Aubert Tel: 33-1-40-15-4178
Société Générale d'Assurance de Banque, 15 Avenue Emile Reuter Luxembourg Attn: Michel Becker Tel: 352-47-93-11-292	Banque Internationale à Luxembourg S.A., 2 Boulevard Royal Luxembourg Attn: Armand Glos Tel: 352-4990-42-14	

The Trustee reserves the right to modify, alter, vary or amend these regulations.
Any term defined in the above mentioned Statement in Respect of the Reorganization of Gaz Métropolitain, Inc. is used herein as therein defined unless there is an indication to the contrary.
DATED at Montreal, Quebec, this 12th day of June, 1991.

MONTREAL TRUST COMPANY OF CANADA
Trustee



INTERMEX
International Mexican Bank Ltd.

FINANCIAL HIGHLIGHTS

£ in Million	Year to: March 1991	March 1990
Operating Profit (before Provisions and Tax)	8.6	12.2
Net Profit	7.9	NIL
Shareholders' Equity	34.6	26.7
Total Assets	177.7	239.5
Ratios (%)		
Return on Equity	29.5	-
Return on Average Assets	3.53	-
Fees on Revenue	29	23
BIS Ratio	22.2	13.7
£/\$	1.735	1.645

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Mexico D.F. 06800
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Telefax 525 0558

Asset Trading • Trade Finance • Cross Border Investment • Maquiladoras

INTERNATIONAL COMPANIES AND FINANCE

Citicorp wins appeal of Fed's veto on insurance

By Nikk Taft in New York

EFFORTS by US commercial banks to gain entry into the insurance market took a step forward when an appeals court in Manhattan overturned a Federal Reserve Board order barring them from underwriting and selling insurance nationwide.

In the absence of any further legal challenge, yesterday's decision would let stand a Delaware state law which permits banks to sell insurance on a national basis out of their subsidiaries in the state. The Delaware law was passed in 1990, and several banks which had long sought access to the insurance market were quick to express interest in possibilities opened by the new statute.

Under the Delaware legislation, assets, liabilities and records of an insurance unit must be kept separate from those of the affiliated bank and banks are limited to investing no more than 25 per cent of their total capital, surplus and profit in insurance operations. A competition banking bill limits banks' marketing activities to residents of Delaware.

The legislation brought an angry response from the insurance industry and some members of Congress.

The Fed made its prohibitive ruling essentially in the context of Citicorp, the largest commercial bank in the US, and its Delaware-based affiliate, Family Guardian Life Insurance. Family Guardian

had moved speedily to underwrite insurance when the Delaware law was enacted, but in September the Fed curtailed this activity. Citicorp then appealed.

Yesterday, Citicorp said it was "fairly pleased" with the appeals court decision, but it acknowledged that the Fed could now take the case to the Supreme Court for a further ruling.

The Fed declined to comment, saying that the matter had yet to be discussed internally.

The American Insurance Association hit out strongly at the decision, describing it as "shocking". It said it would support any move to seek a Supreme Court ruling.

Merger creates top US machine tool concern

By Barbara Durr in Chicago

TWO US companies have combined to create the country's largest machine tools concern. Giddings & Lewis, a leading automation systems maker, has agreed to acquire Cross & Trecker, the third largest US maker of machine tools.

In 1990 Giddings & Lewis, based in Wisconsin, recorded sales of \$243m, while Cross & Trecker, based in Michigan, had \$131m in sales in its 1990 fiscal year.

Cross & Trecker this year has been hit hard by declining sales to the automotive industry, suffering a net loss of \$2.1m in its 1990 fiscal year.

Mr. William Fife, chairman of Giddings & Lewis, said the products of each company would complement those of the other. He added that the combined company hoped to gain better access to European markets, especially those to eastern Europe.

Cross & Trecker has a manufacturing plant and two service centres in Germany, while Giddings & Lewis has a plant in Arbroath, Scotland.

Under the agreement, reached last Friday, Giddings & Lewis will acquire each company's common share of Cross & Trecker for \$2.85 in cash and 0.12 shares of its own common stock, a transaction valued at \$5.70 per common share, of a total of about \$71m.

In addition, Cross & Trecker's Series A convertible preferred stock will be assumed by Giddings & Lewis. The deal is still subject to approval by the board of directors of Cross & Trecker and the shareholders of both firms.

© Nippon Telegraph and Telephone, the Japanese telecommunications utility, yesterday announced plans to establish a subsidiary in Germany. ARD reports from Tokyo.

NTT said it was opening the subsidiary in an effort to keep pace with rapid changes in the European telecommunications industry.

The new company, NTT Deutschland, will be based in Düsseldorf.

Microsoft upgrades PC system

By Louise Kehoe in San Francisco

MICROSOFT, the leading publisher of personal computer software, yesterday launched a significantly upgraded version of its disk operating system for personal computers. The system is used on an estimated 60m personal computers worldwide.

Microsoft said that more than 130 personal computer manufacturers, which together represented nearly 90 per cent of the DOS-based personal computers shipped last year, have already licensed the upgraded system program, called MS-DOS 5, for use on their products. The new program is available from many manufacturers immediately.

Analysts predicted that sales of MS-DOS 5 could boost Microsoft's revenues by up to \$200m in its first full year of shipping. Microsoft's revenues were \$1.18bn in fiscal 1990, ending June 30 1990.

The company's sales are expected to hit \$1.8bn in the current fiscal year.

Important features of the new operating system program include improved memory management, which frees more of memory capacity for applications programs and data.

New ease-of-use features include "help screens" and facilities that enable a user to switch more easily between different application programs and retrieve files that have accidentally been erased.

"The PC industry has flourished over the past 10 years because of MS-DOS and the support it has had from PC manufacturers, software developers and PC users worldwide," said Mr. Bill Gates, chairman and chief executive of Microsoft.

"With the overwhelming commitment of PC manufacturers and the record numbers of orders placed for the MS-DOS 5 Upgrade, we believe this is the largest initial demand in history we've seen for a PC software product," he said.

To meet the needs of current users of earlier versions of MS-DOS, Microsoft will make an upgraded version available through retailers for \$99.95.

MacMillan seeks C\$151m for capital spending plan

By Robert Gibbens in Montreal

MACMILLAN BLOEDER, the forest products arm of the big Noranda resource group, is raising C\$151m (US\$133.5m) of new equity to help finance its 1991-92 capital spending programme.

MacMillan is selling 7.2m treasury shares at C\$21 a share to an underwriting group led by RBC Dominion Securities.

The issue will be completed by July 3. Its stock closed on Monday at around C\$22, close to its 52-week high.

The company is pairing marginal operations in western Canada and shifting towards higher-value products. However, modernisation of its mills will boost capital spending.

MacMillan has suffered from the long recession in North American pulp, newsprint and timber markets, but its profits have shown more resilience than most companies in the industry.

In the first quarter, it earned C\$3.8m or just enough to cover preferred dividends, against C\$3.9m or 26 cents a share a year earlier. Sales declined to C\$677m from C\$781m.

Carter Hawley Hale losses grow

By Robert Gibbens in Montreal

CARTER HAWLEY HALE, the US retailer which filed for Chapter 11 bankruptcy protection in February, suffered a net loss of \$32.4m in the first quarter, compared with a loss of \$6.6m in the same period last year, Reuter reports.

Sales for the period to May 4 declined to \$430.1m from \$990.9m the previous year.

Amex to seek approval for extra hour of trading

By Patrick Harverson in New York

THE American Stock Exchange revealed yesterday that it would seek approval from the Securities and Exchange Commission, the US watchdog, for a plan to extend trading for an extra hour each day.

Although exact details have yet to be finalised, Mr. James Jones, chairman of the Amex, said yesterday that trading would probably be extended for an extra hour each day after the official 4pm close. Investors buy and sell orders would be crossed at the end of the session based on the 4pm closing price.

The Amex proposal comes from the heels of a similar plan for late trading at the New York Stock Exchange, which the SEC approved last month. Late trading at the NYSE is scheduled to begin tomorrow in two separate sessions between 4pm and 5.15pm.

Both the NYSE and the Amex are responding to a growing demand from investors, particularly institutions, for the opportunity to trade US stocks later in the day.

U.S. \$100,000,000



Allied Irish Banks plc

Floating Rate Notes Due 1995
Subordinated as to payment of principal and interest

Interest Rate	6.5625% per annum
Interest Period	12th June 1991 12th December 1991
Interest Amount per U.S. \$100,000 Note due 12th December 1991	U.S. \$333.59

Credit Suisse First Boston Limited
Agent

U.S. \$600,000,000



Malaysia

Floating Rate Notes Due 2009

Interest Rate	6.5625% per annum
Interest Period	12th June 1991 12th December 1991
Interest Amount per U.S. \$100,000 Note due 12th December 1991	U.S. \$333.59

Credit Suisse First Boston Limited
Agent

U.S. \$100,000,000



Great Western Financial Corporation

Floating Rate Notes Due 1995

Interest Rate	6.375% per annum
Interest Period	12th June 1991 12th September 1991
Interest Amount per U.S. \$60,000 Note due 12th September 1991	U.S. \$814.58

Credit Suisse First Boston Limited
Agent

ANZ Bank
Australia and New Zealand
Banking Group Limited
A.C.N. 005 357 522
(Incorporated with limited liability in the State of Victoria)
U.S. \$200,000,000
Floating Rate Notes due 1994

Notice is hereby given that for the Interest Period 10th June, 1991 to 10th September, 1991 the Notes will carry a Rate of Interest of 6% per cent. per annum with an Amount of Interest of U.S. \$164.51 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 10th September, 1991.

Bankers Trust Company, London Agent Bank

U.S. \$500,000,000
CITICORP
Subordinated Bank Adjustable Note Capital Securities
BANCs

Notice is hereby given that the Rate of Interest has been fixed at 6.5% and that the interest payable on the relevant Interest Payment Date September 12, 1991 against Coupon No. 19 in respect of US\$50,000 nominal of the Notes will be US\$830.56.

June 12, 1991, London
By: Citibank, N.A. (CSI Dept.), Agent Bank **CITIBANK**

U.S. \$150,000,000
First Interstate Overseas N.V.
Guaranteed Floating Rate
Subordinated Notes Due 1995

Guaranteed on a subordinated basis as to payment of principal and interest by **First Interstate Bancorp.**

Interest Rate	6.3125% per annum
Interest Period	12th June 1991 12th September 1991
Interest Amount per U.S. \$100,000 Note due 12th September 1991	U.S. \$181.22

Credit Suisse First Boston Limited Agent

To the Holders of
Restructured Obligations Backed by Senior Assets, B.V.
Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period June 10, 1991 to September 9, 1991, the rates applicable to the Secured Senior Floating Rate Notes and Secured Senior Subordinated Floating Rate Notes are 6.4875% and 6.5875%, respectively.

INTERNATIONAL COMPANIES AND FINANCE

Profits up as Telecom NZ unveils flotation details

By Terry Hall in Wellington

TELECOM Corporation of New Zealand yesterday announced a better than forecast annual profit of NZ\$332m (US\$195m) hours before releasing details of its public flotation. The company, which is owned by Ameritech and Bell Atlantic, is offering 19 per cent of its shareholding.

The issue will be the largest in New Zealand's history and it will rank as second largest on the New Zealand Stock Exchange, after Fletcher Challenge, when it is listed on July 17.

The first instalment of 42m shares is being offered worldwide. It is planned to list the company on the New York and London stock exchanges. The initial instalment of 42m shares have been underwritten by New Zealand institutions and will be offered locally at between NZ\$1.50 and NZ\$2.

Of the remaining shares, 7m will be sold as American Depository Shares (ADS), with a further 7m being offered in the UK, US and Canada.

The first instalment will be between NZ\$1.50 and NZ\$2 for the American Depository Shares, who paid NZ\$4.25m, or NZ\$1.51 a share, for the company last year.

Asked about the prospect of

making a profit on this tranche, Mr Tom Burns, chairman of Bell Atlantic and Ameritech in New Zealand, said he believed the price paid for the shares last year was fair. "I feel even better about the decision after today's profit announcement and forecasts," he said.

"The issue is being priced at a price multiple of between 10.5 and 11.5 times earnings, which is less than the international average."

For telecommunications companies of 12.5.

Telecom New Zealand yesterday forecast a 21 per cent rise in net earnings to NZ\$300m for the year to March 31, on revenues of NZ\$2,700m, against NZ\$2,432m. The total represents earnings per share of 207 cents, against 18 cents.

The dividend yield will be between 4.5 per cent and 7.2 per cent, and the 76 per cent payout will cost the company NZ\$307m.

As the shares contain imputation benefits for New Zealand residents, they are equal to a pre-tax dividend yield of 7.7 to 10.8 per cent.

Bell Atlantic and Ameritech are committed to selling at least NZ\$500m worth of shares to New Zealand investors.

Telecom New Zealand's

profit increase, of 23 per cent on last year's NZ\$257m, was better than the forecast improvement of about \$43m.

The chairman, Mr Peter Shirlcliffe, said revenue increases had come mainly from growth in international businesses, which rose 11 per cent; from higher earnings from direct sales, up 31 per cent; and new ventures such as cellular phones.

After Hong Kong, New Zealand had the highest penetration of cellular phones in the world.

Operating expenses rose marginally from NZ\$1,740m to NZ\$1,750m, while depreciation rose from NZ\$399.9m to NZ\$444.5m due to the company's capital expenditure programme. Capital spending was NZ\$770m, against NZ\$770m. Interest expenses were NZ\$195.5m, and tax was NZ\$146.5m.

Dr Peter Troughton, managing director, said the improved performance was due to the modernisation of the network and the focus on high-quality customer service.

The balance sheet showed total assets at NZ\$4,710m, compared with NZ\$4,191m last time and shareholders' funds at NZ\$2,590m, compared with NZ\$2,450m.

TNT shares continue fall on fears for leasing unit

By Mark Westfield in Sydney

SHARES in TNT, the Australian transport group, came under further selling pressure yesterday amid continuing fears for its aircraft leasing division and its US associate, America West Airlines.

The Arizona-based America West is seeking to defer aircraft lease payments.

The move by America West will affect the revenues of Ansett Worldwide Aviation Services, the aircraft leasing business half-owned by TNT and by Mr Rupert Murdoch's News Corporation, because America West is its largest customer.

America West leases 11 Boeing aircraft through AWAS for a total monthly rental of US\$2.5m.

The stock yesterday dropped from Friday's close of 85 cents to a low of 78 cents, with large losses of overseas selling adding to the exit of small shareholders.

TNT recovered later to close at 83 cents. This compares with the \$1.52 at which it traded before a \$89.4m loss for the nine months to March 31 was announced.

Ingersoll-Rand builds roads into eastern Europe

INGERSOLL-RAND, the US construction equipment, pumps and bearings group, is considering further acquisitions in Germany as part of its preparation for the European Community's single market reforms, and to establish a springboard into eastern Europe.

Mr Frederick Hadfield, chairman and chief executive of Ingersoll-Rand UK, said the group's 1992 target of \$1bn in European sales could be achieved a year early.

Last year the company recorded sales of \$900m in its

obvious gateway to the eastern bloc countries.

"They have some of the biggest companies, physically, that I have ever seen," said Mr Hadfield. "But I certainly don't see the need to buy in sq ft and 10,000 people. It's much better to build up from a smaller base than buy and have to cut down."

Most leading construction equipment producers are looking for ways into eastern Germany in preparation for an expected construction boom, and US companies are keen to ensure they do not miss out.

The push into Germany has been particularly important for Ingersoll-Rand as it has been hit by recession in the UK and US. Mr Hadfield said he believed Germany would continue as Europe's strongest economy, despite short-term problems, caused by reunification.

Andrew Baxter on expansion by the US construction equipment group

"European served area", which includes the Efta countries and the industrialised parts of the Middle East and North Africa. Total worldwide sales were \$3.74bn.

Ingersoll-Rand's European sales have more than doubled since 1983 as the company sought to reduce its dependence on the mature US market. Most of the rise has come since 1988, helped by acquisitions in France and Germany.

Mr Hadfield, who is responsible for Ingersoll-Rand's European construction equipment activities, said the company had made two important acquisitions in Germany to address its weak position in Europe's strongest economy.

In 1989, Ingersoll-Rand bought Klemm, a highly regarded manufacturer of specialised hydraulic drills. Last year it purchased ABC, a paving equipment manufacturer.

Mr Hadfield said Ingersoll-Rand saw Germany as the

DECLARATION OF DIVIDENDS

The following companies have declared final dividends, in South African currency, payable to members registered in the books of the companies concerned at the close of business on 28 June 1991:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount Per Share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	17	10
Driefontein Consolidated Limited (Registration No. 68/04880/06)	36	95
Koof Gold Mining Company Limited (Registration No. 84/04482/06)	43	50

Warrants payable on 7 August 1991 will be posted on or about 6 August 1991.

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 28 June 1991 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 29 June to 5 July 1991, inclusive.

The following companies have not declared final dividends:

Doomfontein Gold Mining Company Limited (Registration No. 05/24709/06)
Libanon Gold Mining Company Limited (Registration No. 05/06381/06)
Venterspost Gold Mining Company Limited (Registration No. 05/05632/06)

By order of the boards
per pro GOLD FIELDS CORPORATE SERVICES LIMITED
London Secretaries
S. J. Dunning, Secretary

United Kingdom Registrar:
Barclays Registrars Limited
Bourne House
34 Beckenham Road
Beckenham, Kent, BR3 4TU

11 June 1991
MEMBERS OF THE GOLD FIELDS GROUP

Airline finalises sell-off plans

By Greg Hutchinson in Manila

THE Philippine government yesterday raised its limit on foreign ownership of the privatised Philippine Airlines to 41 per cent from 35 per cent.

Mr Feliciano Belmonte, the airline's president, who made the announcement, also said the long-awaited sale prospects would be ready for distribution to interested buyers at the end of this month.

Philippine Airlines, according to Mr Belmonte, is expected to lose US\$1m this year due to heavy losses from its domestic operations, following a \$54m net loss

for the year ended March 31, 1991.

The airline's privatisation involves an offer of 800m shares, equivalent to 30 per cent of total equity, to private investors this September.

A lot of 400m shares would be available to a foreign buyer, while another 400m would be for domestic investors, including 50m shares that would be earmarked for employees of the airline.

However, those interested in taking part in the auction of 80 per cent of the airline must

present a package already involving the foreign and local partners as one buying entity, Mr Belmonte said.

Northwest Airlines of the US has expressed interest in taking part in a consortium being organised by the Philippine International Commercial Bank (PICIB), a leading Philippine bank.

Another potential buyer is Banahaw International Management Corp (BIMACOR), a Manila-based consortium which is backed by a group of Philippine Airlines pilots.

Swedish steel group slides

SSAB, the Swedish state-controlled commercial steel group, announced yesterday a substantial fall in profits after financial items for the first four months of the year, to SKR200m (US\$2.7m) compared with SKR601m for the same period of 1990, writes Robert Taylor in Stockholm.

The company expects profits to be no more than SKR200m, against SKR554m last year.

Finance for Danish Industry International S.A.

Yen 5,000,000,000.
Guaranteed notes due 1994

Notice is hereby given that for the interest period 12 June, 1991 to 12 December, 1991 the notes will carry an interest rate of 7.5 per cent, lower than the rate on 12 December, 1991 will amount to Yen 3,534,658 per Yen 100,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Aoki declines to Y11.9bn

By Emiko Terazono in Tokyo

AOKI Corporation, the Japanese construction company which owns Westin Hotels and Resorts, announced a 38.7 per cent fall in consolidated pre-tax profits to Y11.9bn (US\$61m) for the business year to March 1991.

The company blamed the sharp fall in earnings on sluggish overseas real estate markets, especially in the US. On a non-consolidated basis, the company has recently reported a 5.8 per cent rise in pre-tax profits to Y15.5bn.

Consolidated sales fell 0.5 per cent to Y402.1bn, while after-tax profits plummeted 57.6 per cent to Y3.5bn on losses in its US subsidiary.

Sales in Aoki's real estate business plunged 90.7 per cent

to Y8.1bn, while its other operations showed strong growth. Sales in construction rose 27.1 per cent to Y328.5bn; shipping lines rose 12.2 per cent to Y3.9bn; and hotels rose 12.2 per cent to Y60.5bn.

The company said that Westin, which operates 67 hotels in 11 countries, posted strong results despite the recession in the US. Operating profits rose 6 per cent.

Aoki, famous for its extensive overseas investments, said overseas sales fell 31 per cent to Y110.5bn.

For the current year ending March 1992, Aoki said it expected a 36 per cent rise in pre-tax profits to Y15bn, on a 17 per cent rise in sales to Y472bn.

BANQUE WORMS GROUP

1990 WAS A GOOD YEAR DESPITE A MAJOR INCREASE IN PROVISIONS

The Board of Directors of Banque Worms, chaired by Mr Jean-Michel Bloch-Lainé, met on March 28, 1991 to close the accounts for 1990.

Healthy development in the bank's business and moderate changes in overhead led to growth of 58% in gross operating income and 35% in profits before tax and provisions.

In spite of a major increase in provisions (+47% related to the economic and stock-exchange situation at the end of the year) Banque Worms net profit increased by 12% to attain 112.6 million French francs.

Key figures for the period:

Banque Worms Expressed in millions of FF	1989	1990	89/90 %
Net banking income	1,237	1,454	+ 17.5%
Overhead expenses	996	1,069	+ 7.3%
Gross operating income	213	336	+ 57.7%
Profit before tax and provisions	293	396	+ 35.1%
Net provisions	192	283	+ 47.4%
Net profit	101	113	+ 11.9%

Income from the commercial activities of Banque Worms Group and the capital gains made by its investment subsidiaries Acme, Sopromec, UFI and Sofinad, increased steadily.

Loans to customers of Banque Worms Group increased by 21% and represent 51% of the consolidated balance sheet total, which amounted to 72.8 billion francs.

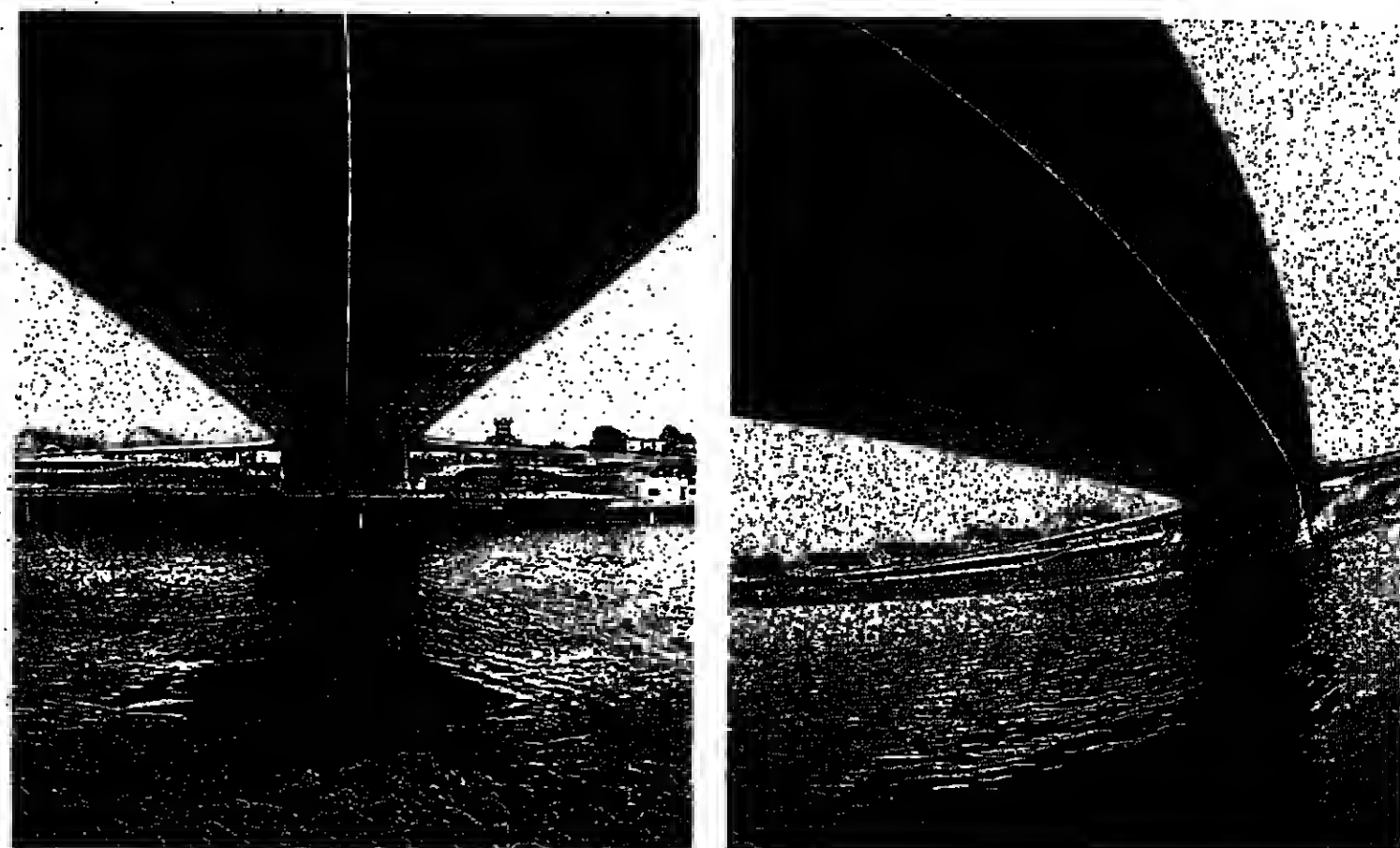
The group share of net consolidated profits amounted to 192 million francs, compared with 209 million in the previous period, as the result of a major increase in provisions for securities.

Consolidated data: Expressed in millions of FF	1989	1990	89/90 %
Net banking income	1,554	1,793	+ 15.4%
Gross operating income	379	482	+ 27.5%
Capital gains	183	260	+ 42.1%
Profit before tax and provisions	578	748	+ 30.8%
Net provisions	185	403	+ 118 %
Group share of net profits	209	192	- 8.1%

The Coverage Ratio of Banque Worms, at 8.36% exceeds the statutory threshold of 8% applicable in 1992. Stockholders' equity and quasi-equity amounts to 4 billion French francs. Long-term capital increased by 33% and represented 9% of the consolidated balance sheet total.



BANQUE WORMS



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* to be opened soon.

1 + 1 = 3

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TELERATE
Dow Jones Global Information

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
Registration Number 0100281/08
WESTERN AREAS GOLD MINING COMPANY LIMITED
Registration Number 0602030/08
ELSBURG GOLD MINING COMPANY LIMITED
Registration Number 0610728/08

All companies incorporated in the Republic of South Africa

THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED
DIVIDEND

A final dividend, dividend number 112 of 40 cents per share has been declared in respect of the financial year ending 30 June 1991:

Last date for registration: 28 June 1991
Dividend closing date (excluding from): 28 June 1991
Currency conversion date (for payments from): 3 July 1991
Date of payment: 19 July 1991

Holders of shares who wish to receive the dividend should send to the terms of a notice to be published by the London Secretaries in July 1991.

By Order of the Board
JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED
per: M.M. DE ALBUQUERQUE, Secretary

WESTERN AREAS GOLD MINING COMPANY LIMITED
ELSBURG GOLD MINING COMPANY LIMITED
NOTICE TO SHAREHOLDERS

The Board has decided to pass the dividend for the second half of the current financial year.

Head Office and Registered Office:
Consolidated Building
Fox and Harcourt Streets
Johannesburg 2001
P.O. Box 500, Johannesburg

11 June 1991

L'ORÉAL SHAREHOLDERS' MEETINGS

The Ordinary Shareholders' Meeting of L'ORÉAL S.A. met on Tuesday May 28, 1991, under the chairmanship of Mr. Lindsay OWEN-JONES, the Chairman of the Board and Chief Executive Officer.

It approved the accounts of the business year 1990. The managed turnover of the group represented 36.1 billion French francs and the consolidated turnover 30.4 billion French francs. The operating profit amounted to 3.4 billion French francs and the consolidated net profit, before capital gains and losses, after minority interest was 1.7 billion French francs. The earnings per share, investment certificate and convertible bond represented 29 French francs.

The Shareholders' Meeting decided to distribute a net dividend per unit of 7 French francs per share and investment certificate payable as of June 28, 1991 to all French banks and financial intermediaries. This dividend was up by 15.7% on 1989.

The Extraordinary Shareholders' Meeting then authorised the Board of Directors to increase the registered capital, within a period of five years, on one or several occasions, to bring it up to the nominal sum of one billion French francs, either through the issue of shares for cash, or through the incorporation of reserves. This resolution was simply a renewal of a former authorisation, given by the Extraordinary Shareholders' Meeting of June 20, 1988.

The Annual Report of L'ORÉAL for the business year 1990 can be obtained from banks, stockbrokers and financial institutions or by writing to L'ORÉAL, Investor Relations and Business Information, Office A 04 03 - 41 rue Martre - 92117 CLICHY - FRANCE.

C. ITOH & CO. LTD.
To the Holders of the Bearer Depositary Receipts

Notice is hereby given that the 67th General Meeting of Shareholders of C. Itoh & Co. Ltd. will be held at 10:00 a.m. on 27th June 1991, at the Head Office of the company located at 1-3 Kyomachi-Machi, 4-Chome, Chuo-Ku, Osaka, Japan. Notice of convening of the meeting is available at the Stock Office, Hambro Bank Ltd, Bankers, 100, Broad Street, London, EC2M 5TA, U.K. and Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Business Operations and Results for 1990/1991
Fiscal year (ended 31st March 1991)

During Fiscal 1991, ended 31st March 1991, the Japanese economy continued its domestic demand-led expansion, backed by strong plant and equipment investment and construction spending. The rate of growth, however, gradually diminished as the period progressed. Owing to increases in a variety of costs associated with the tight labour supply, high growth in the money supply and tension coming from the situation in the Middle East in August 1990, Monetary Authorities adopted a restrictive monetary policy and raised the Central Bank Discount Rate 0.75 per cent, to 6 per cent, in late August. This was the first time the Discount Rate had reached 6 per cent in 8 years and 8 months. The influence in oil supplies and prices from the outbreak of the Middle East War in mid-September 1990 was not significant. Furthermore, there was a movement toward the end of the year to introduce measures restraining the increase in land prices, and legislation was introduced in the Diet to establish a Land Tax.

Overseas, the United States economy slowed substantially in the beginning of the period and entered a recession in the Fall, as negative growth in the housing industry together with lacklustre consumer spending signalled the end of an eight-year economic expansion. In Europe, the United Kingdom clearly entered a recession. In Germany, the economy of former West Germany continued growing, supported by expanding domestic demand. However, in former East Germany unemployment and other difficulties became increasingly severe following German reunification in October 1990. The economies of France and Italy continued expanding, but the rate of export and economic growth slowed. Asian newly industrialising countries (NICs) attained fairly high growth through gains in domestic demand, and Asian countries also enjoyed economic expansion, spurred by rising foreign capital investments. In China, the economy began to show signs of recovery in the Fall as domestic demand expanded owing to monetary expansion and other factors. Fundamental economic changes were implemented in the U.S.S.R. and Eastern Europe, but economic conditions in this region appear to be deteriorating. In the economic environment of C. Itoh consolidated strengthening its operating base and aimed to be a globally integrated corporation. In particular, to expand profitability, we responded to strong demand in Japan by strengthening domestic trading transactions in metal and ore, construction and real estate, and by expanding imports and exports of finished products in Europe, industrial machinery and other areas. In the field of information and communications equipment, Japan Communications Satellite Company Inc. (JCSAT), an international joint venture in which we are a participant and that has two communications satellites, maintained its records of strong growth. International Digital Communications Inc. (IDC), another C. Itoh joint venture, continued to develop its market and lay the groundwork for high quality service by expanding its international telephone service area and laying an underwater fibre-optic cable in the North Pacific. Overseas, we are strengthening our operating base and developing new markets in Europe as European Market unification approaches and German unification and the democratisation of Eastern Europe proceeds. During the period, we became a stockholder of Kraton, a major German Iron, Steel and machinery producer, and also agreed to form business ties with companies in several industries. In the field of overseas resource development we acquired an interest in an American iron ore mine and began oil production off the south eastern coast of Somalia in Indonesia.

Domestically, C. Itoh worked to strengthen its earnings base and was actively involved in several long-term large-scale regional development projects, including the Nishinomiya Marine City near Kobe, the Misaki New City Development project, the Kansai New Research and Development City, the Kansai International Airport Linkways and others. The company also aims to contribute to international society in a variety of ways. For example, in July 1990 we formed a Global Environment Room that is responsible for considering the impact of company activities on the environment.

C. Itoh's total trading transactions for Fiscal 1991 rose 0.3 per cent, to 632 billion Yen to 20,395.9 billion Yen. Growth was low because, although European Market unification approaches and German unification and the democratisation of Eastern Europe proceeds, the rate of export and economic growth slowed. The principal cause for the decline was the change in the method of accounting for gold bullion transactions for the Gold Savings Account, from the value of the total contract to the difference in value of contracts traded. If this category is excluded from total trading transactions, import transactions rose because oil transactions increased in both price and volume terms, while export transactions remained at low levels as the growth of the U.S. economy stalled and exports to the U.S.S.R. and China declined. In domestic transactions, the continued strength of Japanese Economic demand contributed to growth in textile, iron and steel, and construction transactions. Gross trading profit rose 0.3 per cent, to 21.5 billion Yen to 229.9 billion Yen. Ordinary profit, however, rose 0.7 per cent, to 3 billion Yen, to 54.3 billion Yen as interest expense jumped substantially owing to higher interest rates. Net income rose 2.3 per cent, to 4 billion Yen, to 19.0 billion Yen despite an increase in extraordinary losses related to a write-off of 7.2 billion Yen loans to Iraq.

Annual report for the 1990/1991 Fiscal Year will be available at Hambro Bank Ltd and Banque Internationale à Luxembourg S.A. by the end of July 1991.

Mexico sells state-owned bank for \$203.7m

By Damian Fraser
in Mexico City

THE Mexican government has sold Multibanco Mercantil de Mexico to the financial group Grupo Financiero Probusa for \$203.7m, making it the first of the 18 state-controlled banks to be privatised.

Grupo Financiero Probusa, headed by the brokerage Casa de Bolsa Probusa, bought 77 per cent of the bank's capital at \$3.65 a share, 2.66 times asset value per share.

The deal turns Probusa, by stock market value Mexico's fourth largest brokerage last year, into Mexico's first integrated financial group.

Probusa plans shortly to buy an insurance company, and is actively seeking partnership with a foreign bank, according to the company's president.

Mercantil is the 14th largest of the 18 banks listed on the Mexican stock market. It has 82 branches mainly in Mexico City and Monterrey, the capital of the state of Nuevo Leon.

In 1990 operating profits were \$6,600m pesos, or 70 per cent increase on 1989.

The government is expected to announce shortly the winning bidders for Banco Credit and Banpa, the next two Mexican banks to be privatised.

The next bank to be sold is Banamex, Mexico's largest bank, which will be sold, along with Cofiba, Banco Oriental and Bancomer, at 3.66 times book value. Banamex would be worth over \$3.5bn, although its stock market value is presently closer to \$2.5bn.

San Miguel in loan for 598m pesos

By Greg Hutchinson
in Manila

SAN MIGUEL, the Philippine brewing conglomerate, and a syndicate of banks and financial institutions yesterday signed a loan agreement for 598m pesos (\$12.5m) to help fund the company's expansion and modernisation programme.

The loan was drawn from a facility extended by the Export-Import Bank of Japan to the development Bank of the Philippines (DBP) under the \$20m ASEAN-Japan Development Fund. The Philippines is the third ASEAN country to tap the \$20m fund, launched in 1987.

The term of the loan is for 10 years inclusive of a three-year grace period. It will carry an interest rate of 1.34 per cent over what the DBP charges on the funds it lends to other financial institutions, currently 18 per cent. The rate is reviewable every three months.

San Miguel said the loan would be used to finance the expansion and modernisation of production plants. Two months ago San Miguel shareholders rejected a debt conversion plan aimed at funding expansion.

Japan securities reform may apply to foreigners

JAPAN'S Finance Ministry may allow foreign banks securities companies to fully own their securities and banking subsidiaries in Japan, if its ongoing liberalisation of Japan's financial system permits domestic institutions to do so, according to a ministry official, AFP-JI reports from Tokyo.

Currently the ministry lets foreign banks hold no more than a 50 per cent stake of their securities arms in Japan. The interest of foreign securities firms in their bank subsidiaries has the same restriction.

However, if reform allows Japanese banks and securities firms to use wholly owned subsidiaries to create the legal barrier separating the businesses, "it would be logical to extend the same system" to the foreign institutions, the official said.

Japan is moving towards lowering the barrier between its securities and banking businesses, with financial system reform likely to allow both to do business in the other's sector through fully owned subsidiaries.

Observers expect the ministry by 1993 to issue its final report on reform, urging cross-participation through subsidiaries.

● Nakadachi Securities will start brokering interbroker trading in US Treasury securities in Tokyo on July 17.

The 30-year bonds and two to 10-year notes will be the first foreign securities for the brokers' broker to handle, an official said.

Treasuries move narrowly ahead of data release

By Patrick Harverson in New York and Simon London in London

BOND prices were little changed in quiet trading yesterday morning, with dealers and investors waiting for the important economic data due later this week.

At midday the benchmark 30-year Treasury bond was up 0.02¢, to 102.574, to yield 8.24 per cent. The two-year note was slightly weaker, down 0.01¢, to 98.953, to yield 8.93 per cent.

The slight rise in the long bond was attributed to 50-basis short-covering by dealers and the fact that Mr Alan Greenspan, the Federal Reserve chairman, chose not to repeat his recent positive comments on the economy at yesterday's hearings before a Congressional committee.

Some investors may have also bought bonds in the belief that the price, for the moment, has reached its short-term floor with the yield hovering just below the important 8 1/2 per cent mark.

Analysis says the market will not move much until everyone has had a chance to see Thursday's retail sales and producer prices figures and Friday's consumer prices and industrial production data.

THE upward trend in UK government bond prices was held back yesterday as the Bank of England signalled that a cut in interest rates may not take place this week.

The Bank supplied \$530m nine-day liquidity to the money market at an unchanged interest rate of 11.5 per cent, dampening hopes of an early easing of monetary conditions.

GOVERNMENT BONDS

The move had a sobering effect on the market, which had earlier interpreted slightly better than expected producer price data for May as a sign of an imminent cut in rates. Manufacturing output prices rose by 0.4 per cent in May, for a year-on-year rise of 6 per cent.

This compares with a year-on-year rate of 6.2 per cent in April and 6.3 per cent in March, confirming that output inflation is at least on a downward trend.

The release of the figures caused money market interest rates to fall to 11 per cent, although they rebounded to 11.2 per cent by the close in response to the Bank of England's activities.

Long-dated gilt prices rose around 1/4 of a point on the day but closed below the day's highest levels.

The benchmark 11 1/2 per cent gilt maturing 2009/2017 closed at 108 1/4, up 1/4 on the day, for a yield of 10.46 per cent.

■ JAPANESE government bonds continued to drift lower yesterday as the strength of the dollar on the foreign exchange markets dampened hopes of an early cut in interest rates.

The benchmark government bond issue No 129 traded in London on a yield of about 6.82 per cent in late afternoon yesterday against a close of 6.95 per cent on Monday.

However, prices ended slightly above the day's lowest levels as investors looked to buy cheap paper.

■ THE German government

The Financial Times publishes a more comprehensive table of benchmark government bonds from today. The table now includes benchmark bonds from some of the high-yielding European markets, namely Spain, Italy and Denmark, which have attracted considerable recent interest from foreign investors. It also includes a revised selection of benchmark bonds from the UK, Germany and Australia. For example in the UK, a new short-dated gilt and a 10-year benchmark gilt have been included.

BENCHMARK GOVERNMENT BONDS									
	Coupon	Yield	Price	Change	Yield	Week	Month	Year	
AUSTRALIA	12.00	11.01	102.574	+0.015	11.00	10.91	10.98	10.95	
GERMANY	10.00	09.50	104.700	-0.001	9.51	9.41	9.41	9.41	
CANADA	8.75	09.07	98.320	-0.001	9.08	9.07	9.07	9.07	
DENMARK	8.00	11.00	98.850	-0.025	9.17	9.14	9.15	9.15	
FRANCE	8.00	09.98	98.453	-0.010	9.97	9.98	9.97	9.97	
ITALY	8.25	09.01	100.100	+0.100	8.95	8.91	8.91	8.91	
JAPAN	No 119	4.00	09.88	+0.126	7.23	7.03	7.05	7.05	
	No 120	6.00	09.00	+0.151	8.82	8.64	8.62	8.62	
NETHERLANDS	8.00	09.01	98.050	+0.070	8.94	8.92	8.92	8.92	
SPAIN	11.00	07.06	98.850	-0.001	11.00	11.00	11.00	11.00	
UK GILTS	10.00	11.00	98.18	-0.002	10.97	10.97	10.97	10.97	
	10.00	09.00	98.18	-0.002	10.97	10.97	10.97	10.97	
US TREASURY	8.00	09.01	98.03	+0.002	8.98	8.94	8.94	8.94	
	8.00	09.01	98.03	+0.002	8.98	8.94	8.94	8.94	

London closing, "Dorland New York morning session. Prices US, UK in \$/100, others in pence. Technical Data/ATLAS Price Source.

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INTERNATIONAL CAPITAL MARKETS

STET plans deal of \$275m to cut state holding

By Sara Webb

STET, Italy's state-controlled telecommunications holding company, plans an international equity offering of about \$275m which will reduce the state's holding in the company and increase foreign ownership.

STET, one of the largest telecommunications groups in Europe with an estimated market value of about \$80m, is controlled by IRI, the Italian state holding company, which has a 50 per cent stake in the company. The offering is a secondary sale on behalf of IRI, which is selling some of its non-voting shares to foreign investors to increase international ownership of the company. Part of the offer will be made in the US as a private placement under the Securities and Exchange Commission's Rule 144a.

The offer is for 10m units, each of 10 savings shares (or non-voting shares) and a warrant for a further 10 savings shares. The units will be sold at a slight premium to the market. Lehman Brothers is the lead manager and Deutsche Bank is the co-lead manager. Syndication will be carried out by a very small group of investment houses.

STET has two classes of shares: ordinary voting shares, which increase about 70 per cent of the capital and savings (or non-voting) shares. The dividend on the savings shares is currently 120 compared with 100 on the ordinary shares. IRI owns 68 per cent of the ordinary shares and 52 per cent of the savings shares. The offer is for 10m units, each of 10 savings shares (or non-voting shares) and a warrant for a further 10 savings shares. If all of the warrants are exercised, IRI's savings

INTERNATIONAL EQUITY ISSUES

shares holding will be reduced to 50 per cent.

STET is the monopoly supplier of most telecommunications services in Italy. It owns 80 per cent of Enel, the telecommunications equipment manufacturer, and 50 per cent of SIP, the state telephone utility. Further details of the offering will be released in Milan on June 12.

● **Hellenic Betting Company**, which manufactures and distributes slot machines in Greece, raised \$10m from international investors in an international equity offer which closed last week. The offer for 1.05m shares at \$4.50 each - was ten times oversubscribed.

Some international investors who were disappointed in the international offering managed to buy shares through HBC's domestic offering, according to Mr Adam Young of J. Henry Schroder Wagg, lead manager for the syndicate of international banks which underwrote the international offer. The domestic offering was for 3.47m bearer ordinary shares.

● **The Taiwan Fund**, a closed-end investment company listed on the New York Stock Exchange, is offering a \$43.5m tranche of shares. The 1.85m new shares will be sold at a price of \$23.50 per share through a syndicate of underwriters led by Morgan Stanley, which is also managing the company's \$100m of assets.

Fannie Mae in mortgage issue

The Federal National Mortgage Association has issued for the first time \$200m of mortgage-backed securities, which will be sold to the London Interbank offered rate (Libor). Western reports from New York.

adjustable-rate mortgages (ARMs) provided by RAC Mortgage Funding and Western Federal Savings. RAC exchanged \$200m of 30-year ARMs tied to Libor for Fannie Mae mortgage securities. Western swapped \$100m of ARMs.

German bourses bid for the technological heights

Katharine Campbell on moves to a shake-up as the gentlemen's club nears the European single market

Germany's stock market big bang has been a slow-burn affair. But there are signs that a process characterised more by noise than creativity is gathering speed.

For last Friday's meeting at the Frankfurt stock exchange opened the way for a more effective electronic securities trading system and put in place the framework for rationalising the regional character of the German stock exchanges.

Efforts have been underway for years to advance securities trading beyond the gentlemen's club of eight regional markets from Bremen to Munich - open until recently for just two hours a day - which split up liquidity between themselves via an antiquated floor and paper-based system bolstered by scores of public-service brokers.

But so entrenched were regional interests that modernisation plans have been plagued by split loyalties, false starts and half-hearted compromises.

Despite the German stock



Rolf Breuer: 'It was a matter of first aid.'

market's high degree of dependence on foreign investors, efforts to cater to their needs invariably became bogged down in provincial squabbles leaving the way clear for a high proportion of D-Mark business to wander abroad.

There is now a palpable

sense of urgency, however. London and particularly Paris look highly efficient operations that will pose more of a threat with the advent of the single European market.

By comparison, Germany looks (in shares) costly, at times illiquid and ineffectively regulated. Last week's plan, the brain-child of the big Frankfurt-based banks, against whose power the brokers and regional exchanges inveigh largely in vain, involves an integrated electronic system for trading the top 30 blue chip stocks, the most liquid government bonds and equity and fixed-income derivatives.

It would operate, at least for the time being, alongside existing floor operations, with regional stock and bond business still conducted regionally. It would concentrate liquidity, the order to regulate, and in the long run be cheaper.

The first country-wide screen-based system was the DTB, the options and futures market, which went on stream 18 months ago.

While the DTB is doing well, this relatively sophisticated

system was born without the support of an efficient underlying market.

This, a share information system organised by the banks at around the same time, failed miserably.

Indicative prices on the screen were often withdrawn hastily when counterparties attempted to deal, and consequently little real business passed over the new medium.

The official and independent brokers meanwhile, fearing for their livelihoods and suspicious of big bank influence, began to craft their own competing systems.

An upgraded fully electronic DTB was introduced with a greater degree of success this April and now handles some 10 per cent of daily share trading in Germany.

But as Mr Rolf Breuer, the Deutsche Bank managing board member closely involved with these developments, admits: 'It [the DTB] is a very primitive instrument. It was a matter of first aid rather than inventing an instrument that can be really proud of into the

next century.' Despite the many millions of D-Marks spent on the system, the move to computerisation remains controversial - for the regional exchanges loath to give up important business areas as well as for the brokers as an endangered species.

To help forge a consensus, the Frankfurt Stock Exchange commissioned a study, with the help of a Mannheim university professor versed in the intricacies of computerised exchanges, to act as a 'moderator' between the parties involved in defining the shape of the future marketplace.

While the content of the study, discussed at last week's meeting, remains confidential, it addressed such explosive questions as the brokers' future.

But the direction of Mr Breuer's thinking at least was clear - when he commented recently: 'They will be helped to find security market-related jobs. I don't see an unemployment problem.'

There is still much cajoling to be done before any such plans come to fruition. It has yet to be agreed how exactly

the regional exchanges can be accommodated - perhaps via a shareholding - in the Deutsche Börse, the pan-German holding company Frankfurt proposes.

In addition to amalgamating the array of hitherto separate clearing and settlement and data processing operations, the new structure is supposed to include the DTB. While the suggestion came as something of a surprise to the DTB, its executives will have a tough time if they wish to resist, given that the exchange's shareholders are the same big banks that are calling the shots over equity market developments.

Over the summer a technology consultant will study the feasibility of combining the various systems - this, an order-routing operation in progress called Boas, and, probably, the DTB.

It has been immensely costly in terms of time and ill-fated interim solutions to get to this point. It remains to be seen how quickly efforts can be wholeheartedly redirected to catching up.

Dealers report little demand for \$250m Phillip Morris offering

By Tracy Corrigan

THE trend for smaller, retail-targeted issues appears to be gaining ground in the Eurobond market, although some underwriters are sceptical about how much paper is being placed.

Corporate borrowers are returning to the sector, but the still fragile market for corporate debt is in danger of being pushed too hard by aggressive funding for weaker credits, according to dealers.

A \$250m offering for Phillip Morris, the US tobacco company, was widely considered too tightly priced. Deutsche Bank Capital Markets was lead underwriter of the issue of 8 1/4 per cent five-year bonds, priced to offer a yield spread of 55 basis points above the comparable Treasury.

Although Phillip Morris is viewed as a borrower which

INTERNATIONAL BONDS

can achieve premium pricing, because of the high level of name recognition among European retail investors, most underwriters reported little or no demand for the deal at this level.

'It is a triple-A pricing for a single-A name,' one underwriter said. 'Its reputation is better than its rating, but not by that much.'

Most banks said the company's first dollar offering since 1986 should have been priced 10 to 20 basis points wider, comparing it with a recent issue for Ford, which is currently trading at a yield spread of 87 basis points over the curve.

The borrower recently brought a 10-year deal in the US which cleared at around 80 basis points above the comparable Treasury yield.

Dealers in the US said five-year paper could be sold there at a spread of around 65 basis points. However, the corporate market is generally thought to be rather better in the US than in Europe.

Underwriters will break even (that is, less all their fees) at around 70 basis points.

Even at that level 'the deal is a tough sell,' one underwriter said. A number of banks declined to participate in the deal or were downgraded from co-lead to manager level.

Deutsche Bank said that it expected retail investors to buy the issue over time, pointing out that a deal for the unrated Dutch State Mines had tight-

NEW INTERNATIONAL BOND ISSUES

Borrower	US DOLLARS	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
Phillip Morris Co. Inc.(a)t	250	8 1/4	101.03	1996	1 1/2/1 1/2	Deutsche Bk Cap.Mkt.	
Sakata House(a)t	200	4 1/2	100	1996	2 1/4/1 1/2	Nomura Int.	
Asahi Text Corp(a)t	70	4 1/2	100	1996	2 1/4/1 1/2	Nikko Secs.	
Goldstar Co.(b)t	70	(5 1/2)	100	2006	2 1/2/1 1/2	Salomon Bros.	
CANADIAN DOLLARS							
CEC(b)t	150	10	100.725	1996	1 1/2/1 1/2	Goldman Sachs	
Credit Lyonnais(a)t	150	10 1/2	101.405	1996	1 1/2/1 1/2	Merrill Lynch Int.	
D-MARKS							
Sakata House(a)t	200	4	100	1996	2 1/4/1 1/2	Yamaichi Bk GmbH	
Soc. Generale Ac. (a)tance(c)t	80	14	100	1993	-	Soc.Gen.Eisenachische Bk	
Landwinnschaftliche Rbk(c)t	80	10	101 1/2	1994	1.6/1	Merrill Lynch AG	
SWISS FRANKS							
Kredit Suisse(a)t***	80	2 1/2	100	1996	-	Credit Suisse	
Toys Chemical(a)t***	40	2 1/2	100	1996	-	Bank Paribas (Swiss)	
LIRE							
CEC(a)t	150bn	11 1/2	101.80	1996	1 1/2/1 1/2	IMI Bank (Lux.) SA	
YEN							
NEC Corp(a)t	30bn	7.15	101 1/2	1997	1 1/2/1 1/2	Daiwa Europe	
NEC Corp(a)t	30bn	7.15	101 1/2	1997	1 1/2/1 1/2	Nomura Int.	
Asahi Chemical Ind.(a)t	20bn	7.2	101 1/2	1996	1 1/2/1 1/2	Daiwa Europe	

***Private placement, \$Convertible, \$With equity warrants, \$Floating rate note, \$Final terms, a) Non-callable, b) Fungible, c) Redeemable at option of issuer, \$100,000 bond, \$1

ened by 20 basis points from its launch spread of 78 basis points.

Gaestler, the Korean hi-fi manufacturer, launched a \$10m convertible offering, via Salomon Brothers.

The bonds will pay a coupon

indicated at 3 1/2 per cent and the conversion price will be set at an indicated premium of 23 per cent. The deal was described as 'realistically priced, given the relative weakness of the market. The Korean stock market is currently

closed to foreign investors, but may be opened next year. Two more Canadian dollar deals emerged. Recent issues have been performing well, so the sector still offers a two point pick-up over the US market.

FT-ACTUARIES SHARE INDICES

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Equity indices show number of stocks per section

Monday June 11 1991

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RISES AND FALLS YESTERDAY

British Shares, Dominion and Foreign Bonds

Industrial

Financial and Properties

Utilities

Others

Totals

666 358 1,770

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LONDON TRADED OPTIONS

Options on Shares, Futures, Bonds, etc.

Options on Shares

Options on Futures

Options on Bonds

Options on Commodity

Options on Index

Options on Currency

Options on Interest Rate

Options on Volatility

Options on Credit Default

Options on Environmental

Options on Social

Options on Technology

Options on Energy

Options on Water

Options on Air

Options on Land

Options on Marine

Options on Space

Options on Telecommunications

Options on Media

Options on Entertainment

Options on Food

Options on Beverage

Options on Tobacco

Options on Textile

Options on Apparel

Options on Footwear

Options on Jewelry

Options on Watch

Options on Clock

Options on Toy

Options on Game

Options on Sport

Options on Leisure

Options on Travel

UK AND IRISH COMPANY NEWS

All-round progress at Northern Foods

By Maggie Urry

DOUBLE-DIGIT percentage increases in the operating profit of each of its four divisions enabled Northern Foods to report a 17 per cent rise in its pre-tax balance for the year ended March 31 1991.

The outcome was £105.4m, compared with £90.2m, and the shares responded with a 20p rise to 470p, an all-time high.

Mr Christopher Haskins, chairman, said he found it "very difficult not to be smug" about the results, describing the year as one of "excellent progress". The current year had started well and he was confident the group's strategy had "plenty of staying power" for the next five years.

Turnover rose 8.5 per cent to £1.9bn (£1.09bn), although this reflected some elimination of low margin business. Close to 40 per cent of sales go to the

group's four largest customers, the food retailers Marks and Spencer, Tesco, J Sainsbury and Safeway, with another 20 per cent accounted for by doorstep milk deliveries.

Operating profit margins rose from 8.6 per cent to 9.4 per cent and Mr Haskins said they should climb to over 10 per cent within three years.

Interest charges moved up from £1.4m to £3.5m, but that reflected the £99m spent on acquisitions during the year. Mr Martin Clark, finance director, said that after financing costs the acquisitions contributed about £250,000 to pre-tax profits. Capital expenditure of £61m was made over the year, likely to rise to over £80m in the current year.

Despite the £130m of investment and acquisitions, the group's net debt rose only

£32.5m, leaving borrowings at 17.5 per cent of net assets.

The reduction in corporation tax rates helped earnings per share to rise by 18.5 per cent to 34.66p (23.25p). A final dividend of 8.5p gives a total 18 per cent higher at 14.5p (12.5p).

The largest operating profit increase came from the convenience foods division, up 40 per cent to £21.8m. Mr Clark said the gain would have been about 25 per cent excluding acquisitions. The division includes recipe dishes, yogurt and dairy desserts, sandwiches and filled rolls, food distribution and specialty cakes.

The dairy division, which contributed 45 per cent of group operating profits, increased its profits by 10 per cent to £49.9m. The doorstep milk delivery business went well, as did sales of milk to

supermarkets. However, weak prices and a shortage of milk affected the milk manufacturing side, leaving profits there unchanged.

The meat business increased profits 21 per cent to £22.1m with strong growth at Pork Farms, which makes pork pies, and a £1m contribution from Palethorpes, a pie and pastry maker bought from Sedbury during the year. The chicken side was hit by falling prices and produced an unsatisfactory return, but Mr Clark said the business was not as hard hit as others as it bought in two-thirds of its chickens.

In the grocery division Fox's Biscuits had a strong year, and the division raised profits by 17 per cent to £17.5m, pushing the operating margin above 10 per cent.

See Lex

Brent Walker relaxed about £20m capital advance delay

By Maggie Urry

BRENT WALKER, the leisure group which last week put proposals for a rescue refinancing to its 47 banks, was last night relaxed about receiving a £20m working capital advance from its banks by the end of the week.

Some of the banks involved had already agreed to put up their share of the advance but others were taking longer to decide. Brent Walker shares rose 2p to close at 25p yesterday.

The group needs the short term funds before the June 22 date by which the banks, owed £1.8bn by the group, are due to give a response on the restructuring proposals.

Meanwhile, holders of the £101.9m convertible capital bond are talking to the group and its advisers on the offer made to them under the proposals. So far bondholders have not agreed to the suggestion that they convert their bonds to ordinary shares at 10p, rather than the original conversion price of 140p, and take the rest of the capital value in preference shares.

A compromise is expected to be reached, however. Bondholders are unhappy that they are being offered second preference shares while the banks would get first preference shares under the proposed scheme. Bondholders feel their preference shares should rank equally with those of the banks.

The largest bondholders agreed to a postponement until tomorrow of the first interest payment due on the bonds, which were issued last November, and this could be rolled over again if agreement has not been reached by Thursday.

Jefferson Smurfit, the Irish-based paper packaging group, said in its accounts, published last week, that it could not value the bonds until the restructuring was agreed. It included the bonds in its balance sheet, dated January 31, at £14.7m, their then market value. Yesterday the bonds were quoted at 38 compared with a 100 issue price.

Smurfit invested £15m in the issue and Mr Michael Smurfit, its chairman, personally invested £10m.

Fyffes seeks £60m to provide funds for future acquisitions

By Kieran Cooke in Dublin

FYFFES, the Ireland based fruit importing company, has announced a rights issue with the aim of raising £60m (£55m) "to take advantage of any large acquisition opportunities that may arise and to provide a strong base for organic expansion."

News of the issue - offered on the basis of one convertible preference share for every five ordinary shares - gave rise to speculation about a possible move by Fyffes on PFI Del Monte, the fruit growing and distribution subsidiary of the Polly Peck group. Fyffes has given no public indication of its interest but an acquisition of such a size would fit into its

expansion plans, particularly in Europe.

If PFI Del Monte is put up for sale there is speculation that a price of between £250m and £300m might be put on the operation. Fyffes would have a cash hoard of between £190m and £210m following the rights issue.

Fyffes also announced its results for the six months to April 30 1991. Pre-tax profits were up 1.5 per cent to £13.38m (£13.23m) on sales ahead 24 per cent to £271.7m (£249.3m).

Earnings per share came to 2.22p (2.06p) and the interim dividend is 0.3225p (0.2933p). In the middle of last year Fyffes won a long drawn out

"banana battle" over banana supplies from Honduras, an export trade traditionally dominated by Standard Fruit and Chiquita International Brands, two US companies.

Fyffes has grown rapidly in the last ten years from being a fruit and vegetable distributor in the border counties of the Irish Republic to one of the top ten Irish public companies. Spearheading operations has been Mr Neil McCann, chairman of the company, and two sons, Mr John Callaghan, a senior member of a Dublin accountancy firm, has now been brought in as group chief executive.

See Lex

Weak markets reduce BSS to £13.34m

By Clare Pearson

BSS, the commercial, industrial and domestic heating company, saw all its markets weaken during the year to end-March and pre-tax profits fell by 8.2 per cent from £14.53m to £13.34m.

The result was scored on turnover up 13 per cent to £219.7m (£194.22m). Most of the increase reflected domestic heating acquisitions in the previous year, with the balance due to inflation and a small increase in volume.

Mr Ian Phillips, chairman, said the commercial and industrial market, which had lagged behind the domestic market, had weakened during the second half, and he expected it to

weaken further over the coming months.

Meanwhile, the domestic market, which should lead the recovery, appeared to have stabilised. But published statistics showed that it was some 23 per cent below its peak in 1988.

"All in all, 1991-2 shows every sign of being a very difficult year in the marketplace," he said.

Trading profit was broadly stable at £16.17m (£16.16m) but interest charges were up at £2.83m (£1.63m). Mr Ailan Milne, chairman, said that was because of an increase in borrowings at the start of the year, to fund the Labone and Heatek acquisitions.

After that, a timing change in payment of corporation tax had led to a cash flow of some £8.5m. Mr Milne said that was a one-off effect.

On share capital enlarged by a 1-for-10 rights issue in October 1988, earnings fell to 41.6p (47.5p). The final dividend is held at 11.5p making an unchanged 17.25p for the year.

COMMENT

Firmly focused on the UK, BSS certainly painted a dismal picture with its results yesterday, and it has entered this year burdened with an uncomfortably high level of borrowings and facing ever-tightening price competition. But on the

bright side, shareholders can comfort themselves with the reflection that there are believed to be some much more severe casualties in its markets and BSS says it has increased its market share.

Its current year fortunes will depend greatly on when the housing market picks up again, since demand for domestic heating rises at the start of an economic upturn while the commercial and industrial side lags it. Assuming some improvement by the end of the year, the company should achieve pre-tax profits of about £15m. That puts the shares on a prospective p/e of more than 9, which seems reasonable.

Sale Tilney arm seeks winding up order

By Clare Pearson

SHAREHOLDERS in Sale Tilney, the troubled mini-conglomerate, suffered another blow yesterday when it said Monument, its Isle of Man insurance underwriting subsidiary, was seeking a winding up petition from the Manx court after having ceased all underwriting and payment of claims.

Sale Tilney's share price nose-dived 12p to 19p after the announcement yesterday. It said Monument had net liabilities of £2.75m as at April 26 compared with net assets of £77,000 in the last audited accounts at November 30.

If its petition is granted, Monument hopes to put in place a scheme of arrangement whereby its creditors will agree to rolling over their liabilities. As part of this, Sale Tilney said it might make a capital contribution.

The company said the maximum amount that could be claimed in guarantees made by the parent company was £30.6m. However, such claims would only be to the extent that they were not met by Monument's own insurance funds or those of its reinsurers.

The company said the problems at Monument and "difficult trading conditions across the group meant it would report a pre-tax loss for the current year."

Yesterday's announcement came after Sale Tilney had included a £24m provision for Monument's underwriting losses in last year's accounts. That, together with exceptional losses in other parts of its group, meant the company plunged into a pre-tax loss of £3.62m (£5.02m profits).

Mr Andrew Coppel, former finance director of Ratners Jewellers, was appointed as a "new broom" chief executive in October last year.

Brokers cut Ratners forecasts

By Maggie Urry

SHARES IN Ratners, the jewellery retailer, dipped 7p to 154p yesterday, against the trend of a rising stock market, as stockbrokers cut their forecasts of profits for the year to end January 1992. County NatWest Woodmac, the company's stockbroker, downgraded its forecast from £130m to £112m, the same as the company achieved in 1990-91, including £2m from property.

Kleinwort Benson, which claims to have been first in downgrading yesterday, took an even more bearish view of the group, cutting its forecast from £125m to £104m. James Capel reduced its estimate from £120m to £104m.

On the County NatWest forecast earnings per share would be 19.1p, for a prospective p/e on yesterday's closing price of 8.1. Analysts expect the dividend to be at least maintained, giving a prospective yield of 8.7 per cent.

They said they had reduced forecasts because of poor sales in the UK business - which are believed to be down 5 per cent on a like-for-like basis so far in the current year - while costs are rising, thereby squeezing margins and pushing UK profits down.

Although all UK retailers are suffering difficult trading con-

ditions, part of the poorer sales performance at Ratners was put down to a well-publicised speech by Mr Gerald Ratner, chairman, in April when he jokingly disparaged some of the products sold in some of the group's stores.

He said an imitation book with curled up corners was in poor taste and that a £4.50 cut-glass sherry decanter with six glasses was "crap".

Sales in the US are said to be flat on a like-for-like basis, but the inclusion of Kay Jewellers, acquired last year, is expected to push up US profits, to exceed those from the UK for the first time.

LVMH to buy Guinness shares

LVMH MOET Hennessy Louis Vuitton, the French luxury goods maker, intends to buy up to 23.4m Guinness shares at up to £10 a share each to bring its stake back up to 24 per cent, the level agreed in their cross-holding arrangement.

"This is totally routine," said Mr Robert Leon, a LVMH director. "This is being done in perfect accord and co-ordination with Guinness."

Mr Leon said relations between LVMH and Guinness, the British drinks group, were excellent and the two groups had no intention of ending the cross-holding arrangement.

Guinness said it welcomed the move by LVMH to equalise the cross-holdings. LVMH's stake in Guinness fell to 21.7 per cent following the conversion of Guinness convertible preference shares and convertible loan stock into ordinary shares.

Guinness said holders of a nominal £40.8m of loan stock and £202.2m of convertible preference shares lodged notice of conversion on May 31 and June 2.

As a result, 14m new Guinness shares will be allotted to the loan stock holders and 56.6m to the preference share

holders, increasing the ordinary capital to 973m shares. Guinness shares jumped on the news of LVMH's purchase plan, finishing the day up 30p at 996p. S.G. Warburg is bidding for the extra 23.4m shares until June 21.

Correction

Costain Group
Sir Godfrey Messervy retired as chairman of Costain Group last November. An article in yesterday's Financial Times described him as still occupying this position.

WE'LL KEEP
YOU IN THE
BLACK,
NOT IN THE
DARK.

In these days of recession, if you don't shed light on new areas of custom it could very well be curtains for your business.

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Using the most extensive Business Database in the UK, we will qualify your total untapped potential - potential

which could mean the difference between success and failure. The end result is a strategy which enables you to approach not just vital new customers, but customers you can be sure are the most profitable, most able to pay and most likely to pay on time.

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To all shareholders in



You are urged to
support your Board
by voting against the
Norwich Union
proposals.

The issues are:

- That Norwich Union has been totally intransigent and will not consider anyone other than Mr Michael Beckett and his proposed team of directors as the new board for your Company.
- Mr Michael Beckett and his team have very little experience relevant to this Company and industry and do not have the support of senior operating management.
- He and his team have produced no strategy for your Company.

By contrast:

- Your existing Board has consistently sought to reach an agreement with Norwich Union.
- Your existing Board has the necessary experience to run the Company and has the support of senior operating management.
- Your existing Board is pursuing a coherent strategy. Decisive action already taken will translate your Company's strong operating performance into shareholder benefit.
- The wholesale removal of the Board puts the Company and your investment at risk and is a wholly impractical proposition.
- Your Board unanimously urges you to reject Norwich Union's crusade which could damage your Company.

Vote AGAINST the resolutions by using a GREEN proxy card.

Even if you have filled in a yellow proxy card, you can still **CHANGE** your vote by filling in a **GREEN** proxy card.

You must return your proxy card by 2.30 pm on Monday, 17 June, 1991.

The above points are extracted from a letter from Sir David Nicholson, Chairman of TACE, in a circular sent to shareholders on 7 June, 1991.

The Directors of TACE plc accept responsibility for the information contained in this advertisement, which has been approved by Brown, Shipley & Co. Limited and Belmont Bank Limited, both members of the Securities and Futures Authority. The Directors of TACE plc confirm that to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information.

UK COMPANY NEWS

Anglian Water cautious with 14% dividend rise

By Clare Pearson

ANGLIAN WATER yesterday reinforced its stock market image as one of the most cautious of the water companies by announcing a full-year dividend increase of 14.5 per cent, the bottom of the expected range for the sector.

The final payment of 11.7p, which makes 17.5p (15.91p) for the year to March 31, was reported 49th pre-tax profit ahead to £132.8m (£128m).

Mr Alan Smith, managing director, said the dividend increase was "entirely consistent" with assumptions made when the regulatory regime for the privatised water industry was set up in 1989.

However, Mr Smith said that at privatisation it had been assumed Anglian's earnings per share for the year would be flat. In fact, they came out slightly ahead at 45.9p (42.1p).

The contributing factors being lower-than-expected construction costs and benefits of treasury management.

Unlike most other water companies, Anglian was privatised with net debt. Last year, it moved much of its borrowings on to a long-term basis.

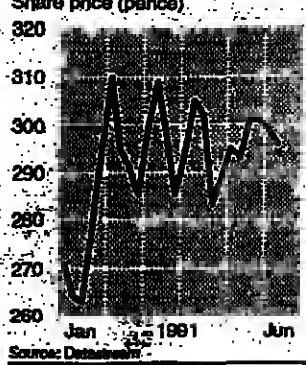
Anglian's area has been one of those most hard hit by the drought and since winter 1989 it has brought forward £26m worth of schemes to boost supplies.

Mr Bernard Henderson, chairman, warned yesterday that if the weather became more extreme a hosepipe ban, already effective in some regions, might have to be extended.

Turnover was up at £460.6m (£401.3m), including a 1 per cent volume increase in the core business. Investment expenditure was on target at £229.8m (£192m). Net interest payable rose to £18.1m (£16.1m).

Anglian Water

Share price (pence)



Source: DataStream

Issuing two bonds in the sterling market.

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With Mr Byatt, the water industry's regulator, firing off letters expressing worries about what big profit increases and ambitious diversifications mean for customers, investors have been smiling on conservative companies like Anglian of late. It has never been involved in the dividend race and its one acquisition, a sewage sludge digestion company, cost £7.8m last year. Some people are concerned it is keeping too loose a rein on operating costs, although there are plenty of excuses for last year's increase, such as that it cut back a good deal on privatisation, and population distribution in the region. Pre-tax profits of £175m are expected for this year. With a dividend of about 19.5p the prospective yield is over 7 per cent. The shares look a sound hold despite the recent run.

COMMENT

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Slump in UK housing halves Meyer

By Jane Fuller

THE SLUMP in UK housing, which has seen the number of housing starts fall by more than 20 per cent in each of the past two years, hit profits at Meyer International, which includes the Jewson builders' merchant chain.

Taxable profit fell by 49 per cent from £70.5m to £36.1m on turnover that slipped to £1.13bn (£1.14bn) in the 12 months to March 31.

The dividend was nevertheless maintained at 16.5p, after a 12.3p final. It was covered 1.7 times by earnings per share of 27.5p (54.8p).

Sir Oscar DeVille, who will retire as chairman in September, said the business had been affected by a drop in repair work as well as by reduced building.

The size of the Jewson chain had been virtually maintained at 207 (209) outlets.

Jewson's operating profit fell to £36.9m (£36m) on sales of £419.7m (£464.9m). Sir Oscar said he expected repairs and home improvements to pick up quickly alongside house moves.

In forest products, the wholesale side saw profit fall to £10.9m (£13.7m) and the merchants contributed £6.5m (£7.9m). Between them, sales were £393.5m (£391m).

Punt Meyer, in the Netherlands, which like UEM was acquired in 1988, fell sharply to £7.6m (£12.7m) on sales of £243.2m (£231m). The previous year had been a particularly good one and timber stock losses had accounted for £1.5m of the decline, he said.

Another inheritance from Norcross, the Cadel plumbers' merchants, had plummeted to a loss of £5.3m from a £1.1m profit. Turnover fell to £62.8m (£67.9m) as the old business of serving contractors was phased out.

COMMENT

As Meyer reached a profit peak of £87.2m in 1988-89, it embarked on expansion in UK merchandising and abroad, starting with the Netherlands. Neither has provided much of a cushion against the downturn in UK housing, although some disposals and prompt pruning of overheads have helped to limit the damage. The balance sheet has stayed strong enough to justify a maintained dividend. Now it's a case of guessing when the upturn will come. Cold comfort was offered by Sir Eric Fountain at Tarmac's annual meeting yesterday. He warned that the trading climate had got worse. It looks as though the first results presented by Sir Oscar's successor, Mr Richard Jewson, will be a grim set of interims. However, the elimination of timber stock losses, a reduced drain at Cadel and the beginning of a recovery at Jewson should provide modest profit growth to £50m, giving prospective p/e of 14.5 on yesterday's close of 42.1p. As the multiple falls to about 10 on a 1992-93 forecast, the price looks fair.

Aerospace difficulties depress JFB profit

By Michio Nakamoto

DIFFICULTIES in world aerospace markets depressed first-half profits at Johnson & Firth Brown, the Sheffield-based metals and engineering group, which reported pre-tax profit to March 31 down from £5.7m to £5.08m.

The decline was on turnover of £80.85m (£80.15m), including a first contribution from Mon-Fee Forghus, acquired in February to provide JFB with an entry into the valuable US aerospace market.

About half the fall in pre-tax profits was due to the sale of associate businesses announced in December, the group said.

Nevertheless its aerospace business, which comprised about 28 per cent of overall sales, suffered a considerable downturn in the first half, with sales about 25 per cent lower.

The group warned that with aerospace markets faced with continuing difficulty, it expected the second half to be "at least as difficult as the first half".

It was maintaining a strong capital expenditure programme with spending of £3m in the first half expected to rise to £5m for the full year.

The interim is held at 1p.

No pay rise for Bank of Scotland top executives

By James Buxton, Scottish Correspondent

THE TOP executives of Bank of Scotland are taking no increase in salary this year. Mr Bruce Patullo, who took over yesterday as governor of the bank, said the decision had been taken in order not to prejudice negotiations now being finalised on staff pay.

The issue emerged at the annual meeting, when a shareholder pointed to the 18.5 per cent rise in director's fees noted in the annual report against the 31 per cent fall in pre-tax profits, its first since 1983. Sir Thomas Risk, outgoing governor, said the increase in the fees of directors, all of whom are non-executive, referred to last year and no rise was proposed for this year.

Mr Patullo said the management board of full-time executives was not taking an increase in order to encourage

a moderate settlement of the staff pay claim. "The financial services industry has been somewhat irresponsible in the last few years," he said.

At the other leading UK banks only the directors of Midland are taking a drop in pay this year.

Sir Thomas said the recent success of the bank's £194m rights issue, which was 98 per cent subscribed, showed the confidence that existed.

Unlike Sir Thomas, Mr Patullo is to be executive governor, the first in the bank's history. Up to now he has been deputy governor and group chief executive. Professor Jack Shaw, former director of Scottish Financial Enterprise, and Mr Thomas Hutchison, an executive director of Imperial Chemical Industries, were elected deputy governors.

All-round rise at Marston

By Michio Nakamoto

A FIRM RISE in beer sales and a strong increase in the contribution from food sales at its catering houses, supported a 6 per cent rise in pre-tax profits at Marston, Thompson & Eyreshead, the brewer, for the year to March 31.

Marston saw taxable profit rise to £13.84m from a previous £17.5m on turnover up by 16.6 per cent from £92.13m to £107.58m.

However, market conditions which deteriorated towards the

latter part of the last financial year have not improved.

Beer sales over the year grew by 6 per cent as a result of the group's emphasis on sales of its Pedigree and low carbohydrate Low "C" sales through other brewers and wholesale channels.

The group's trade business, with 741 in its tenanted estate at the year end, was adversely affected by the recession and beer volume in this sector fell. Tavern Tables, the catering houses, increased its profits contribution by 85 per cent due to a rise in food sales of over 90 per cent.

Earnings per share rose nearly 10 per cent to 14.44p from a previous 13.16p.

A recommended final dividend of 3.2p (2.91p) makes a total of 4.46p (4.02p).

National Grid beats forecast with £111.6m

By Clare Pearson

NATIONAL GRID, the transmission company which is owned jointly by the English and Welsh regional electricity companies, yesterday exceeded its privatisation forecast with the announcement of a cost post-tax profit of £111.6m for the year to end-March.

The result compared with £104.5m, the forecast made in the regional companies' flotation prospectus last November.

But the company is paying out only the forecast amount of £104.5m in dividends to the companies which each own between 5.4 and 12.5 per cent of its shares.

Mr John Uttley, finance director, said this was seen as a "good, prudent, starting point" for future dividends.

He added that, with historic cost post-tax profits standing at £239.5m, against a forecast £241.6m, dividend cover was 2.43. "We have always seen 2.5 as a sensible cover ratio," he said.

At the pre-tax line, current cost profits were £237.8m, against a forecast £234.3m. In historic cost terms they were £285.7m, against £361.3m.

Capital expenditure was 59m higher than last year but 21m lower than forecast, due to lower spending on the non-transmission business.

Net interest charges were £79m.

Turnover was £1.14bn.

The company derives more than 80 per cent of income from charges to grid users.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Alkermes	3.7	July 31	3.18	6.33	5.5
Amersham Int	8.1	Aug 5	8.1	11.8	11.8
Anglian Water	11.7	Oct 1	10.21	17.5	15.32
BSG Group	11.5	July 25	11.5	17.25	17.25
Bunzlows Invest	2	Sept 2	3	5	5.5
Caslet	0.2	Oct 1	0.1	0.2	0.1
Drummond	0.5	Oct 1	1.35	1	2.35
Fyffes	0.2225	July 31	0.2935	-	1.0393
Johnson & Firth	1.8	July 28	1.8	-	3
London & Clydes	3.2	July 29	2.91	4.48	4.02
Marston Thompson	12.3	Sept 2	12.3	16.5	16.5
Meyer Int	1.5	Aug 7	2.5	-	4.5
Midlands Radio	9.5	Aug 29	7.25	14.5	12.5
Northern Foods	2.35	July 24	3.8	4.35	5.8
Osborne & Little	2.8	Oct 1	2.8	4.18	3.8
Oxford Instrum	0.3	Aug 30	2.24	1	2.5
Salem	1.85	June 28	1.75	-	6.75
United Drug	7.875	Aug 20	8.75	11.375	9.875
Voeper	-	-	-	-	-

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. 10m capital increased by rights and/or acquisition issues. US\$M stock. \$Pro-forma payment. Irish currency.



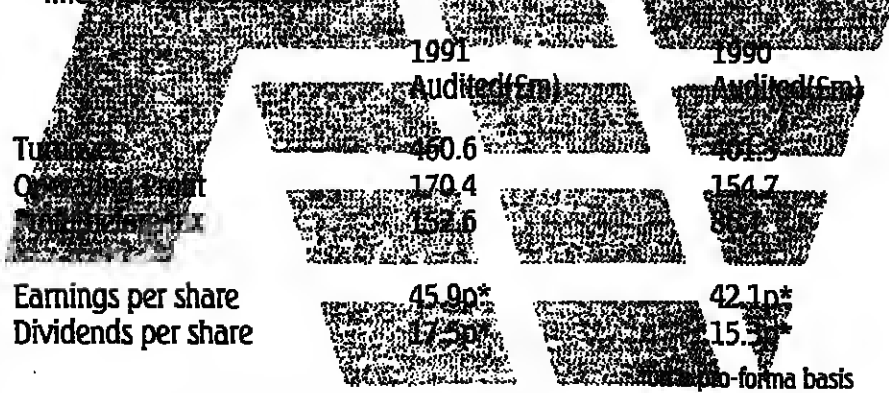
Preliminary results for the year ended 31 March 1991.

"Having consolidated on a successful start, we are now in a strong position to achieve our investment, customer service and profitability objectives... the company is well placed to build on its strengths for the future benefit of shareholders, customers and employees."

Extract from the Report of the Chairman, Bernard Henderson CBE.

Anglian Water Preliminary Results for the year ended 31 March 1991.

- ◆ Profit before tax of £52.6m
- ◆ Earnings per share of 45.9p
- ◆ Full year dividend of 17.5p per share, a 14.5% increase on 1990*
- ◆ Investment expenditure of £229.8m, a 19.6% increase on 1990 and in line with privatisation forecasts



The 1991 Report and Accounts will be posted to shareholders on 1st July. Copies may be obtained from the Group Company Secretary, Anglian House, Ambury Road, Huntingdon, Cambs PE18 6LR.

UK COMPANY NEWS

Gulf war boosts prospects for Vosper Thorneycroft

By Andrew Seliger

VOSPER THORNEYCROFT, the Southampton-based ship designer and builder, reported a 19 per cent increase in pre-tax profits to £14.25m in the year to March 31.

However, the group warned that uncertainty over orders for minehunters for the Royal Navy and Saudi Arabia might require it to make modest reductions in its 2,000-strong workforce over the next few months, unless new business was obtained.

During the past year Vosper shed 200 jobs, at an extraordinary cost of £1.65m, but said any further job cuts would be on a much smaller scale.

Turnover rose by 15 per cent to £140m and earnings rose by 22 per cent to £1.25m. A final dividend of 7.875p makes a total for the year of 11.57p, an increase of 15 per cent.

Mr Peter Vosper, chairman, said ship sales prospects had been enhanced by the performance of Vosper-built Hunt class minehunters in the Gulf war, which dealt with hundreds of mines.

The company was now building the Sandown class, which was entering Royal Navy ser-

vice and promised to be even more effective than the Hunt class. Sandown class ships under construction for the Royal Saudi Naval Forces were progressing well, and productivity continued to improve.

Five Sandown minehunters have been ordered by the Ministry of Defence, two of which are already in service, and the group has instructions to proceed with six for the Saudis.

The first Saudi ship is virtually completed, the second has been launched and the third will be delivered in 1994. Discussions on funding for the second batch of three for Saudi Arabia continue.

Mr Vosper said that while no decisions on naval procurement had yet been announced, it now seemed likely that an expected order for up to seven Sandown minehunters would be delayed, and perhaps reduced.

He was confident that changes in UK defence policy would bear less heavily on Vosper than most defence suppliers, not least because more than 60 per cent of its output was exported.

Vosper had year-end cash

balances of £34m. Mr Martin Jay, managing director, said he was keen to make acquisitions in non-defence markets, which currently account for less than 10 per cent of group output, and prices of businesses were becoming more reasonable.

COMMENT

Vosper had a good Gulf war, and the experience of Kuwait has certainly done no harm to the market for minehunters. Along with every other defence supplier, the company's outlook is clouded by the uncertainty currently gripping the Ministry of Defence as it ponders the Options for Change review. But Vosper's strong exports and £400m order book means it is much better placed than many other defence contractors, a sector which the market has been shunning.

Forecast pre-tax profits of £16m and earnings of 34.5p put the shares, up 9p yesterday to 248p, on a prospective multiple of just over 7 - a 40 per cent discount to the market. That seems very reasonable, given the company's full order book, canny management and strong cash position.

Institutional battle ahead for Tate & Lyle

Mark Westfield assesses the latest stage in the A\$325m bid for Bundaberg Sugar

ALTHOUGH Tate & Lyle, the sweetener group, has cleared a major hurdle in its A\$325m takeover bid for Bundaberg Sugar with the offer's clearance by the Australian government, it still faces considerable opposition from institutional shareholders.

Shares in Bundaberg, the Queensland sugar miller and rum producer, jumped 40 cents to A\$4, which is 10 cents below the offer price, on this volume following the news that Mr John Kerin, the newly-appointed Australian Treasurer, had not stopped the takeover.

Tate has so far secured just 2.5 per cent of its target's shares to add to the 2.5 per cent it bought before launching its bid 12 weeks ago.

Shareholders have been reluctant to grant the hostile bidder a free option over their stock by accepting the bid as long as the 90 per cent acceptance condition remains in place. Highly conditional bids in Australia have a history of falling well short of target.

Tate & Lyle and Mr Bill Bearworth, its Australian adviser, will now try to persuade the institutions which hold a total of 51 per cent of Bundaberg, to accept. They will emphasise the likelihood of the stock price falling back to its pre-bid level of below \$3 if the offer fails.

Most of the institutions are expected to say no on the grounds that they believe the offer price is too low.

Tate & Lyle said yesterday that more shareholders than were generally realised considered the \$4.10 offer to be reasonable.

Shareholders, particularly the institutional institutions, will play a cat-and-mouse game over the coming fortnight with the offer. Tate must decide by June 21 whether to renew its



Political hurdle overcome: John Kerin, left, the new Australian Treasurer and Neil Shaw, chairman and chief executive of Tate & Lyle

bid, which expires on June 28. Tate & Lyle has refused to sweeten its bid but then it also had denied it would increase its original bid of \$3.70. It revised its offer to \$4.10 on April 29 when it lodged its formal takeover documents with the Bundaberg board.

The institutions believe Tate & Lyle may be persuaded to improve its offer still further, demonstrating that the battle for control now hinges on price. Most institutions have done their own numbers and believe the stock is worth more than A\$4.10.

If sufficient numbers of shareholders hold on to their shares, then Tate will not be able to obtain its goal of clear control in that case Tate would be unlikely to demonstrate that its bid was serious by dropping the minimum 90 per cent acceptance condition.

Tate is not taking any risks. It is engaging a finely pitched strategy to avoid being

locked in to a minority holding of between 25 per cent and 30 per cent with little control over its investment, which it considers to be the worst possible result.

By doing this, however, it is exposing itself to criticism that it is not serious in its ambitions on Bundaberg.

Under Australian takeover rules, Tate & Lyle would be able to go into the market to buy as much stock as it could in tandem with its takeover offer if it were to declare its bid unconditional.

An aggressor can only buy up to 20 per cent of its target in the market if it keeps its bid conditional.

The superannuation funds holding the key to Bundaberg are aware that Tate bought only a token share parcel before launching its offer on March 19. In contrast Ranks

Hovis McDougall, the food group, demonstrated its serious intent when it raided the

share market in April 1989, to go to the limit under the foreign investment rules of 14.9 per cent before bidding for Goodman Fielder Wattle, a rival food group.

Banks withdrew its bid after Goodman dumped its 29 per cent cross shareholding into the laps of the formidable Sunningdale trio, Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packard.

While Tate is stirring up plenty of dust with its bidding tactics, the institutional shareholders are making it clear they will not deal at A\$4.10. They are sending signals that Tate will have to offer more if it wishes to get at least 50 per cent of the stock.

The UK group has denied it will do this, but it has the option of dipping into Bundaberg's \$3m in franking credits, equivalent to 11 cents a share, to offer a one-off tax-free dividend in the event of its winning control. This would effectively lift the offer price to A\$4.21, without Tate having to break its undertaking not to increase the bid price.

One fund manager said yesterday that an additional 11-cent dividend might do it.

Tate cleared the political hurdle after a wait of six weeks following advice from the Foreign Investment Review Board (FIRB) going to Mr Paul Keating, the former Treasurer, for consideration. The Treasurer has the discretion to accept or reject a recommendation from the FIRB.

The delay by Mr Keating came during the lengthy lead-up and then unsuccessful challenge he mounted last Monday for the leadership of the Labour Party.

It is understood the FIRB recommended that no objection be raised against the offer. The test applied by the FIRB is that any takeover proposal should not be against the national interest.

When Mr Kerin, the former Minister for Primary Industry, assumed the post last Monday, however, there were strong suggestions in Canberra that he may block the bid.

Queensland's 5,000 cane growers have vigorously opposed the takeover bid, claiming that a multinational sweetener group would not be committed to their industry.

Mr Kerin's accession to the post was followed immediately by wild swings in the bond, currency and share markets in Australia because of uncertainty over the direction of economic policy in the wake of the change of Treasurer.

Whether Mr Kerin had contemplated a change of direction or not, his decision to allow the Tate & Lyle bid to proceed was consistent with the laissez faire approach of his predecessor.

Bad debts hit Lombard N Central

By David Barchard

BAD DEBTS pushed Lombard North Central, the finance house subsidiary of National Westminster Bank, into a pre-tax loss of £1.4m in the half year ending March 31 1991.

However, a 29m tax credit meant that the group made a post-tax profit of £7.6m, down from £15.5m a year ago.

Lombard North Central is the first of the large finance houses to announce its results, its latest figures suggest that

1991 is turning out to be an even more disastrous year for asset lenders than 1990.

Though profits before bad debt charges rose by 21 per cent to £80.2m (£66.1m), the charges rose from £42.2m at the same point in 1990 to £81.6m.

Bad debts hit almost every asset lender in 1990, but the group now has a balance sheet of around £8m. Earnings per share fell from 8.5p to 6p.

trated in a particular sector.

The magnitude and extent of the deteriorating economic environment have been far worse than were ever contemplated, said Sir Hugh Cubitt, chairman.

Volumes of new business were generally lower than in 1990, but the group now has a balance sheet of around £8m. Earnings per share fell from 8.5p to 6p.

49% advance for Airsprung Furniture

Airsprung Furniture Group, which trades on the USM, announced a 49 per cent increase in taxable profits for the year to March 31.

Mr John Yates, the chairman, said the result, up from £2.65m to £3.95m, was achieved at a time when interest rates were high and the furniture market as a whole had fallen by some 6 per cent in real terms.

Earnings per share improved from 15.1p to 22.3p and the dividend for the year is lifted to 6.33p (5.5p) with a final of 5.7p (5.18p) proposed.

Turnover rose by 27 per cent from £43.94m to £55.97m and operating profits came through at £4.43m (£2.74m). Interest charges advanced to £967,000 (£374,000) but at the year end gearing had fallen to 34 per cent (44 per cent). The company has applied for a full listing.

Drummond falls £0.4m in the red after exceptionals

DRUMMOND GROUP fell into taxable losses of £379,000 in the year to March 31 after an exceptional charge of £882,000. The result compared with profits of £1.1m.

Mr Stefan Simmonds, chairman, said the charge resulted from a number of problems which were not expected to recur.

The main ones were a fall in the value of raw material stocks and contracts following the abandoning of Australian wool price support and the liquidation of large stocks of fabric as a result of the Middle East crisis and fall in wool prices.

He added that the results although disappointing had been indicated at the interim stage. Directors are proposing to cut the final dividend to 0.5p (1.35p) for a total payment of 1p (2.35p). The shares rose 4p on the

day to close at 32p. Turnover increased to £35.34m (£28.83m) helped by acquisitions, the benefits of which are expected to begin in the present year.

A tax charge of £419,000 (£354,000) primarily represented unrecovered Advance Corporation Tax, which should be recoverable against tax in the future, said Mr Simmonds. Losses per share were 11.25p, compared with earnings of 2.89p.

Sonic tumbles

Reduced pre-tax profits of £50,113, against £205,242, were announced by Sonic, the Preston-based yarn and fabric maker, in the year to March 31.

Earnings per share fell from 6.13p to 1.59p and the dividend for the year is cut to 1p (2.5p). There was no interim (1p).

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Those wishing to reinvest their dividend in the company will be entitled to a number of new shares equal to their total dividend entitlement less French withholding tax (currently 25 per cent of the dividend) divided by the fixed share price of FF 123.

Further information, including information on taxation, is available from CMB Packaging's UK Transfer Agent, National Westminster Bank, Registrars Department, PO Box No 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

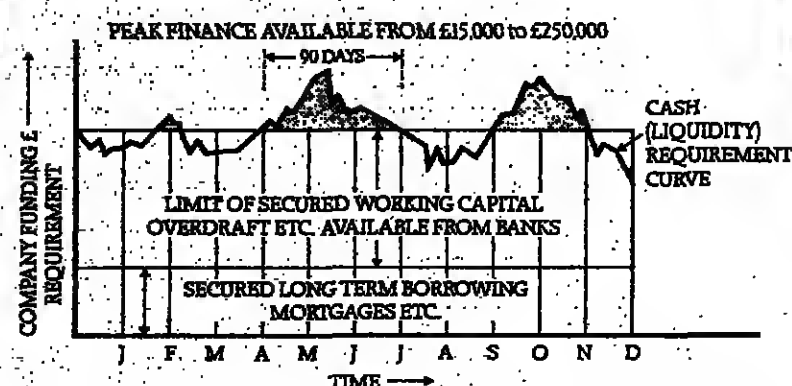


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Soviet aluminium flood forecast to reach 1m tonnes

By Kenneth Gooding, Mining Correspondent, in Brussels

THE FLOOD of aluminium exports from the Soviet Union to the West would reach about 1m tonnes this year, a huge increase from the 300,000 tonnes exported in 1990, said Mr Dag Flaa, vice chairman of the European Aluminium Association, yesterday.

The torrent of metal was already having an impact on the London Metal Exchange prices because the Soviet Union had no direct customers and was selling to brokers who used the exchange.

Mr Flaa, chief executive of Hydro Aluminium of Norway, reached his conclusions during a recent fact-finding visit when he met senior members of the Soviet industry and ministers. He said the Soviet central selling organisation had allocated 800,000 tonnes of aluminium for export and each smelter had been allowed to keep 10 per cent of production for sale on its own account. Most of this metal was also likely to find its way to the West.

If Mr Flaa's prediction was fulfilled it would mean that nearly one third of the Soviet Union's aluminium output would arrive in the west this year. The Soviet Union is the world's largest producer of the

metal with an annual output of between 3m and 3.5m tonnes, Mr Flaa pointed out.

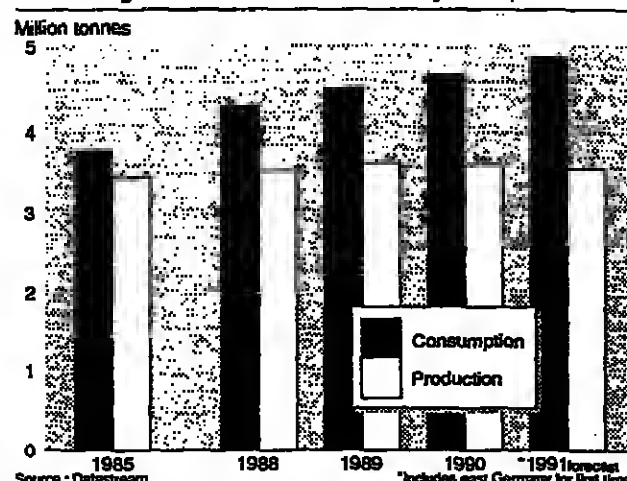
According to the European Aluminium Association, western world production of aluminium last year was 14.2m tonnes, consumption was 14.6m tonnes. The gap was filled by imports from the former communist countries, mainly the Soviet Union.

Mr Jochen Schürmer, chairman of the EAA, suggested that the Soviet flood was not as frightening as it might appear at first sight. Part of it would compensate for the ending of other East European smelters. For example all of the former East Germany's aluminium production - about 180,000 tonnes a year - had been halted permanently because the country's smelters had been such big polluters.

Mr Schürmer said that short term problems, such as the extra imports of Soviet metal, meant that the European aluminium industry was not quite as buoyant as at this time last year. But its position was "still satisfactory".

He suggested that only a small minority of European smelters was currently operating at a loss in spite of the

Primary aluminium in Europe



Source: Datastream

Includes east Germany for first time

present relatively low prices - down from US\$1,800 a tonne at this time last year to \$1,300 in recent weeks.

Mr Flaa said that the reaction of LME prices yesterday to Reynolds Metals' decision to close some production capacity in the US - the cash price rose \$86 to \$1,307 a tonne - implied that prices had been at the bottom. Any further fall would prompt more production cuts.

In his "State of the European Aluminium Industry" presentation Mr Hansgeorg Seebauer, secretary general of the EAA, predicted growth in aluminium consumption in western Europe would slow this year after 2.5 per cent rise to 4.6m tonnes in 1990. A 1 per cent increase was forecast for 1991. When the former East Germany was included, however, the rise was 4.5 per cent. Western European smelters continued to work at close to

Pace of Ghanaian cocoa reform slows

The World Bank wants more privatisation, writes William Keeling

AT THE main road junctions in Accra, hawkers

A fast-spreading mystery disease is attacking cocoa trees in Ghana's eastern region, a leading local grower says, reports Reuters from Accra.

Mr Thomas Sombiah from North Bim district says the disease, which local farmers say is unlike the more common swollen shoot or black pod, initially infects leaves and later whole trees.

He appealed to state cocoa authorities to investigate the disease urgently to contain its apparently rapid spread.

Ghana is the world's third biggest cocoa producer but the eastern region is a relatively minor growing area.

of the government office responsible for cocoa, which is distinct from the Cocoaobod, judged the trial to be a success and declared that a total value added of \$17,232 per tonne of beans had been earned. These figures were disputed by Cocoaobod officials, who claimed that, with payment of costs to Schroeder, the agreement had resulted in a net loss.

Officials declared to press ahead with the new policy and, despite the alleged losses, signed a second pilot agreement with Schroeder to process 10,000 tonnes of beans without consulting the Cocoaobod board of directors. The directors were informed of the agreement at their monthly meeting last August and in September were asked to approve a long-term co-operation project between Schroeder and Cocoaobod.

Since that time the Cocoaobod board has been reconstituted and its chairman, Mr K.G. Erbyrn, who had expressed his surprise at the manner in which government officials signed contracts and formulated new policy without the knowledge of the board, has been replaced. And the Government has again accelerated its policy of contract processing with foreign companies. A three-year agreement to pro-

cess a minimum of 20,000 tonnes a year has already been signed with Schroeder and there have been discussions with a second German company and with companies in Britain, France, the Soviet Union and South Korea.

Industry representatives say that government officials are keen, provided that they can find enough companies willing to agree to their requirements, to sign contracts with foreign processors for as much as 30,000 tonnes a year before transfer from military to civilian rule, which is expected to occur next year. Proposed contracts are also likely to include options for the companies to take up the production of the domestic processors. This would result in only about half of Ghana's cocoa production being sold on the open market.

Officials of international donor agencies, which are providing concessional finance to assist in Ghana's economic recovery, support the drive to attain added value on cocoa. Many have expressed surprise, however, at the haste with which contracts are being negotiated and concern at the possible open-ended nature of the costs that some processors may charge under tolling agreements.

But a major worry is that long-term tolling agreements will be used to forestall further reform of the Cocoaobod and that the foreign exchange earnings from Ghana's premier export will remain exclusively in the hands of government. While a new government may adopt a different policy, it appears that the most visible instance of private enterprise in Ghana's cocoa industry will continue to be the hawkers selling their bars to the passing cars.

Gold mine development curtailed

By Philip Gawth in Johannesburg

THE ANNOUNCEMENT yesterday by the Gencor group, South Africa's second largest mining house, that it was curtailing development of the Weltevreden gold mine was a further symptom of the industry's worst ever crisis.

Gencor said the project had been reconsidered in the light of the persistently weak real price of gold. The current price is some 25 per cent lower in real terms than when the decision to proceed with the mine was taken. It said if existing trends continued the mine would not generate a positive

cash flow in the foreseeable future. Heavy capital expenditure commitments on the platinum side, and in bringing the Oryx mine to production, probably also had a bearing on Gencor's decision.

Ironically, the announcement comes at a time when the real gold price, at levels of about \$1,000 a troy ounce, is at its highest level in 16 months. This is a combination of the recent strengthening of the dollar gold price and, especially, the weakening of the rand against the dollar. The dollar gold price - \$371.25 an

ounce in the London yesterday - is at its highest sustained level for more than a year and the rand has deteriorated by more than 11 per cent since December to its current level of about R2.84/\$1.

The rand gold price has risen by 17 per cent since it hit a three-year low of R909 an ounce in February. In the interim, Gencor has announced the closure of its Sishont mine and Anglo American, the country's largest mining house, has announced a cut in its exploration efforts in the Potchefstroom gap area.

Oil price 'not manipulated'

By Barbara Durr in Chicago

THE NEW YORK Mercantile Exchange is feeling vindicated after a report by the US General Accounting Office said that oil prices were not manipulated during the Gulf crisis.

The report is expected to reassure those in Congress who suspected that speculators were artificially driving up the oil price in the lead up to the Gulf war. Some legislators had called for curbs on oil trading and even closure of the market during times of crisis.

The GAO said that trading of Nymex crude oil futures from July 30, 1990 through February 1991 "reflected actual changes in supply and demand conditions". This was the same conclusion reached by the Commodity Futures Trading Commission in an earlier investigation.

Costal Corporation, the US oil company, has secured approval from the US government to purchase 2.5m barrels of crude oil from Iran. It marks the first import of Iranian oil into the US since the revolution over 10 years ago and paves the way for other companies to follow.

Irish farmers call for action on lamb price fall

By Kieran Cooke in Dublin

IRISH SHEEP farmers have called for urgent action following a steep drop in lamb prices over the past four weeks.

The Irish Farmers Association says that lamb prices have dropped by nearly 40 per cent over the past month and that many thousands of Irish sheep producers now face financial ruin as a result. The price fall is blamed on a glut of animals coming on to the French market, which demand has been inadequate to soak up. But some of the sheep farmers also complain that Irish-based middlemen have been profiteering and not passing on the benefits of falling prices to customers.

In recent years there has been a dramatic growth in sheep numbers in Ireland, mainly because of the encouragement given by the Euro-

pean Community's system of "headage" payments, which are made to farmers for livestock raised in disadvantaged areas of the country. Some sheep producers have called for an EC intervention scheme for lambs, which would provide a market of last resort and prevent surplus production depressing prices on the community market.

Ireland already has a disproportionate amount of its agricultural production in EC intervention stockpiles. Out of the present EC "beef mountain" of some 700,000 tonnes, about 250,000 tonnes originated in Ireland. Irish butter also accounts for about a third of the total at present in EC intervention stores, although the country only produces about 5 per cent of total community output.

Wool surplus 'to continue'

By David Blackwell

THE IMBALANCE between world supply and demand for wool is set to continue, at least in the short term, according to the International Wool Textile Organisation.

In spite of the suspension of reserve price schemes in Australia, New Zealand and South Africa earlier this year, the huge level of stocks amassed under the schemes will overwhelm the market, Mr Michael Godfrey, the organisation's secretary for statistics, told the 60th International Wool Conference in Lisbon yesterday.

"It would take a 5 per cent growth in consumption continuously over a six-year period to absorb contracting new clip supplies and to reduce carryover stocks to a more normal level of around 200,000 tonnes clean," he said.

World wool production is expected to fall by 4 per cent in

the 1991-92 season to 1.84m tonnes, after declining by 1.2 per cent to 1.92m tonnes in 1990-91.

Of this, 1.5m tonnes, which contracted by 13 per cent in 1990 to 1.5m tonnes, has started to recover. Between March and May this year the market "witnessed a remarkable turnaround in the situation as buyers, in response to lower prices, moved back into the market to refill a practically empty pipeline". China and the Soviet Union, whose absence was largely responsible for the collapse in prices, were among the buyers.

However, adding carryover stocks to 1991-92 output would result in world supplies for the year of 2.58m tonnes, up 6 per cent on the 1990-91 record. Supplies are therefore likely to remain well above the expected requirements of the world wool textile manufacturing industry.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,600-1,650 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 2,800-3,000 (2,800-3,000).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 1,600-1,750 (1,650-1,750).

COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 12,750-14,100 (14,000-14,400).

MERCURY: European free market, min. 99.99 per cent, \$ per 76 lb flask, in warehouse, 110-120 (same).

MOLYBDENUM: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 2,300-2,400 (2,300-2,400).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4,800-5,400.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO₃, cif, 54-60 (same).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 2,250-2,350 (2,250-2,350).

URANIUM: Nuxco exchange value, \$ per lb, U₃O₈, 9.20 (9.30).

LME WAREHOUSE STOCKS (as at Monday's close)

Aluminium 4,805 to 497,575 tonnes
Copper 2,475 to 270,825 tonnes
Lead 1,285 to 75,875 tonnes
Nickel 1,020 to 115,875 tonnes
Tin 285 to 15,025 tonnes

MARKET REPORT

Copper prices firmed on the LME yesterday against a background of concern over South American supplies. News that Chuculmata copper workers had threatened further slow-down action and talk that Peruvian miners could strike definitively from next Monday prompted gains in the afternoon. The trend was also aided by the continued widening in the premium for July metal. Cash metal closed only \$1.50 a tonne below the three-month price, compared with \$3.50 on Monday. Three-month tin edged above \$3,800 a tonne as the market shrugged off widespread talk of Malaysian banks ailing after hard since the 1985 tin crisis. The

steady tone was aided by a 255 tonne fall in LME stocks and news that the ATPC had reported first quarter 1991 world stocks down 4,000 tonnes. Gold and silver as well as profit taking trimmed Monday's gains. Some dealers said scale-up forward selling by gold producers was already taking place but had been disguised by the waves of good buying that were a feature of Monday's market. Operators cited forward mina sales as the most likely factor to curb gold's recent rise. London cocoa prices lost all Monday's gains as liquidation emerged in the afternoon. Compiled from Reuters

London Markets

SPOT MARKETS
Crude oil (per barrel FOB)
Dubai \$15.20-5.30 -0.10
Brent Blend (dated) \$17.70-7.25 -0.15
Brent Blend (LME) \$17.75-4.00 -0.30
WTI (1 pm est) \$19.00-18.25 -0.25

Oil products
NHE prompt delivery (per tonne CIF)
Premium Gasoline \$242-244 -3
Gas Oil \$17.10 -2
Heavy Fuel Oil \$65-67 -1
Petroleum Arps Estimated \$165-169 -10

Other
Gold (per troy oz) \$712.5 -1.75
Silver (per troy oz) \$40.5 -1.0
Platinum (per troy oz) \$380.25 -4.00
Palladium (per troy oz) \$397.40 -1.25

Aluminium (free market) \$120.00 -1.50
Copper (US Producer) \$103.40 -0.25
Lead (US Producer) 35c
Nickel (free market) 37c
Tin (Korea Lumpur market) \$16.00 -0.04
Tin (New York) 267c
Zinc (US Prime Western) 62c

Cattle (live weight) 111.81g -1.49
Sheep (best weight) 141.75g -1.20
Hogs (live weight) \$62.40 -2.82

London daily sugar (raw) \$223.40 +1.1
Tato and Life export price \$226.5 +1.8
Barley (English feed) 140c
Maize (US No. 3 yellow) \$178.00 +0.25
Wheat (US Dark Northern) \$100

Rubber (Jut) \$62.50 +0.25
Rubber (Jut) \$62.50 +0.25
Rubber (Jut) \$62.50 +0.25

Cocoa (on Philippines) \$345
Palm Oil (Malaysia) \$322.5
Cocoa (Philippines) \$225.5
Soyabean (US) \$163.0
Cotton "A" index \$3.95
Wool (US Super) 37c

£ a tonne unless otherwise stated. p-prompt, c-cash, f-freight, g-gross, j-jut, l-lump, s-super, u-ultra.

×Jut/Aug v-Aug/Sept. †Meat Commission average lettuce prices. ‡change from a week ago.

†London physical market. ‡CF Rotterdam. †Bullion market close. m-Malaysian cent/kg.

WORLD COMMODITIES PRICES

COCOA - London FOEX

	Close	Previous	High/Low
Jul	612	623	607-616
Aug	598	608	593-604
Sep	586	596	581-592
Oct	574	584	569-575
Nov	562	572	557-563
Dec	550	560	545-551
Jan	538	548	533-539
Feb	526	536	521-527
Mar	514	524	509-515
Apr	502	512	497-503
May	490	500	485-491
Jun	478	488	473-479

Turnover: 6584 (5847) lots of 16 tonnes

KCO indicator prices (3000 per tonne). Daily prices for Jun 16 785.54 (783.49) 10 day average for Jun 11 785.54 (783.49)

COFFEE - London FOEX

	Close	Previous	High/Low
Jul	330	342	327-337
Aug	318	330	313-323
Sep	306	318	301-311
Oct	294	306	289-299
Nov	282	294	277-287
Dec	270	282	265-275
Jan	258	270	253-263
Feb	246	258	241-251
Mar	234	246	229-239
Apr	222	234	217-227
May	210	222	205-215
Jun	198	210	193-203

Turnover: 3105 (1132) lots of 6 tonnes

KCO indicator prices (US cents per pound) for Jun 10 1.62 (1.61) 10 day average for Jun 11 1.62 (1.61)

POTATOES - London FOEX

	Close	Previous	High/Low
Jul	100	100	100-100
Aug	100	100	100-100
Sep	100	100	100-100
Oct	100	100	100-100
Nov	100	100	100-100
Dec	100	100	100-100
Jan	100	100	100-100
Feb	100	100	100-100
Mar	100	100	100-100
Apr	100	100	100-100
May	100	100	100-100
Jun	100	100	100-100

Turnover: 172 (228) lots of 40 tonnes.

SOYABEANS - London FOEX

	Close	Previous	High/Low
Jul	130.00	130.00	130.00
Aug	129.00	129.00	129.00
Sep	128.00	128.00	128.00
Oct	127.00	127.00	127.00
Nov	126.00	126.00	126.00
Dec	125.00	125.00	125.00
Jan	124.00	124.00	124.00
Feb	123.00	123.00	123.00
Mar	122.00	122.00	122.00
Apr	121.00	121.00	121.00
May	120.00	120.00	120.00
Jun	119.00	119.00	119.00

Turnover: 305 (25) lots of 20 tonnes.

FRUIT - London FOEX

	Close	Previous	High/Low
Jul	100	100	100-100
Aug	100	100	100-100
Sep	100	100	100-100
Oct	100	100	100-100
Nov	100	100	100-100
Dec	100	100	100-100
Jan	100	100	100-100
Feb	100	100	100-100
Mar	100	100	100-100
Apr	100	100	100-100
May	100	100	100-100
Jun	100	100	100-100

Turnover: 12461 (8872) lots of 100 tonnes

BITUMEN - London FOEX

	Close	Previous	High/Low
Jul	118.5	118.5	118.5
Aug	117.5	117.5	117.5
Sep	116.5	116.5	116.5
Oct	115.5	115.5	115.5
Nov	114.5	114.5	114.5
Dec	113.5	113.5	113.5
Jan	112.5	112.5	112.5
Feb	111.5	111.5	111.5
Mar	110.5	110.5	110.5
Apr	109.5	109.5	109.5
May	108.5	108.5	108.5
Jun	107.5	107.5	107.5

Turnover: 217 (110) lots of 3,200 kg

BIT

LONDON SHARE SERVICE

AMERICANS

1991	Stock	Price	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Recovery hopes lift US dollar

THE US DOLLAR moved cautiously higher yesterday on the belief that the American economy will soon stage a recovery and helped the markets overcome fears of intervention by central banks. For much of the session the dollar traded in a narrow range, but later in the day it began to edge upwards and closed in London slightly higher on the day.

The US currency was lifted after President George Bush said he believed that a recovery was beginning. "I can borrow a term from Wall Street, I am bullish on the economy, not overly optimistic, but while some sectors are still sluggish, on the whole a turnaround appears to be in the making."

His remarks encouraged the dollar to rise late in the week. May producer prices are released tomorrow, and the market is waiting to see whether inflationary pressures have been contained. The most important figures of the week come on Friday when industrial production and capacity utilisation data are released. These will be closely studied to see whether President Bush's hopes for an economic recovery are justified.

£ IN NEW YORK

	June 11	June 10	June 9
1 month	1.6300-1.6300	1.6295-1.6295	1.6295-1.6295
3 months	1.6295-1.6295	1.6290-1.6290	1.6290-1.6290
6 months	1.6290-1.6290	1.6285-1.6285	1.6285-1.6285

Forward premiums and discounts apply to the US dollar.

STERLING INDEX

	June 11	June 10	June 9
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0
100	90.0	90.0	90.0

Source: Bank of England. Sterling index based on 1992=100. "Base" is for 1992.

CURRENCY MOVEMENTS

	June 11	June 10	June 9
US Dollar	1.6300	1.6295	1.6295
Japanese Yen	163.00	162.95	162.95
Deutsche Mark	1.6300	1.6295	1.6295
Swiss Franc	1.6300	1.6295	1.6295
French Franc	1.6300	1.6295	1.6295
Italian Lira	1.6300	1.6295	1.6295
Spanish Peseta	1.6300	1.6295	1.6295
Portuguese Escudo	1.6300	1.6295	1.6295
Belgian Franc	1.6300	1.6295	1.6295
Dutch Guilder	1.6300	1.6295	1.6295
Austrian Schilling	1.6300	1.6295	1.6295
Greek Drachma	1.6300	1.6295	1.6295
Irish Punt	1.6300	1.6295	1.6295
Malaysian Ringgit	1.6300	1.6295	1.6295
Singapore Dollar	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295
Vietnamese Dong	1.6300	1.6295	1.6295
Cambodian Riel	1.6300	1.6295	1.6295
Siamese Baht	1.6300	1.6295	1.6295
Thai Baht	1.6300	1.6295	1.6295
Indonesian Rupiah	1.6300	1.6295	1.6295
Philippine Peso	1.6300	1.6295	1.6295
South African Rand	1.6300	1.6295	1.6295
New Zealand Dollar	1.6300	1.6295	1.6295
Australian Dollar	1.6300	1.6295	1.6295
South Korean Won	1.6300	1.6295	1.6295
Chinese Yuan	1.6300	1.6295	1.6295
Indian Rupee	1.6300	1.6295	1.6295
Pakistani Rupee	1.6300	1.6295	1.6295
Bangladeshi Taka	1.6300	1.6295	1.6295
Sri Lankan Rupee	1.6300	1.6295	1.6295
Nepalese Rupee	1.6300	1.6295	1.6295
Myanmar Kyat	1.6300	1.6295	1.6295
Laotian Kip	1.6300	1.6295	1.6295

CANADA

CANADA

Sales	Stock	High	Low	Close	Chg	Sales	Stock	High	Low	Close	Chg	Sales	Stock	High	Low	Close	Chg
TORONTO																	
3:00 pm prices June 11																	
Quotations in cents unless marked \$																	
3500 Alcan P	81 1/2	10 1/2	-1/2			4800 Dominion	525	24 1/2	25	-1/2		1600 ScotPaper	22 1/2	22	22	22	
2500 AgriCorp	81 1/2	8	0 1/2	-1/2		4900 Comstock	215	25 1/2	26	-1/2		2000 ScotPaper	22 1/2	22	22	22	
2500 AF Ode	81 1/2	10 1/2	-1/2			5100 Crown Co	30 1/2	4 08	4 08	-1/2		1600 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5200 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5300 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5400 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5500 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5600 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5700 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5800 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			5900 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6000 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6100 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6200 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6300 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6400 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6500 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6600 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6700 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6800 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			6900 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7000 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7100 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7200 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7300 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7400 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7500 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7600 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7700 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7800 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			7900 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8000 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8100 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8200 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8300 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8400 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8500 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8600 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8700 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8800 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			8900 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9000 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9100 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9200 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9300 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9400 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9500 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9600 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9700 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9800 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			9900 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	
10000 Alcan Int	214 1/2	21 1/2	-1/2			10000 Crown Int	50 1/2	0 1/2	-1/2			2000 ScotPaper	22 1/2	22	22	22	

1 - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices June 11

26000 Bonified	22 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
48000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
49000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
5000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
114000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
10000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
180000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
33000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Canadair	31	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
30000 Can																	

FT SURVEYS

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

NASDAQ NATIONAL MARKET

3:15 pm prices June 11

D. E. 1994										D. E. 1994									
Div.	Sta	High	Low	Last	Chng	Stock	Div.	Sta	High	Low	Last	Chng	Stock	Div.	Sta	High	Low	Last	Chng
0.01	218	111	111	111	0.00	0.00	0.01	218	111	111	111	0.00	0.00	0.01	218	111	111	111	0.00
0.02	219	112	112	112	0.00	0.00	0.02	219	112	112	112	0.00	0.00	0.02	219	112	112	112	0.00
0.03	220	113	113	113	0.00	0.00	0.03	220	113	113	113	0.00	0.00	0.03	220	113	113	113	0.00
0.04	221	114	114	114	0.00	0.00	0.04	221	114	114	114	0.00	0.00	0.04	221	114	114	114	0.00
0.05	222	115	115	115	0.00	0.00	0.05	222	115	115	115	0.00	0.00	0.05	222	115	115	115	0.00
0.06	223	116	116	116	0.00	0.00	0.06	223	116	116	116	0.00	0.00	0.06	223	116	116	116	0.00
0.07	224	117	117	117	0.00	0.00	0.07	224	117	117	117	0.00	0.00	0.07	224	117	117	117	0.00
0.08	225	118	118	118	0.00	0.00	0.08	225	118	118	118	0.00	0.00	0.08	225	118	118	118	0.00
0.09	226	119	119	119	0.00	0.00	0.09	226	119	119	119	0.00	0.00	0.09	226	119	119	119	0.00
0.10	227	120	120	120	0.00	0.00	0.10	227	120	120	120	0.00	0.00	0.10	227	120	120	120	0.00
0.11	228	121	121	121	0.00	0.00	0.11	228	121	121	121	0.00	0.00	0.11	228	121	121	121	0.00
0.12	229	122	122	122	0.00	0.00	0.12	229	122	122	122	0.00	0.00	0.12	229	122	122	122	0.00
0.13	230	123	123	123	0.00	0.00	0.13	230	123	123	123	0.00	0.00	0.13	230	123	123	123	0.00
0.14	231	124	124	124	0.00	0.00	0.14	231	124	124	124	0.00	0.00	0.14	231	124	124	124	0.00
0.15	232	125	125	125	0.00	0.00	0.15	232	125	125	125	0.00	0.00	0.15	232	125	125	125	0.00
0.16	233	126	126	126	0.00	0.00	0.16	233	126	126	126	0.00	0.00	0.16	233	126	126	126	0.00
0.17	234	127	127	127	0.00	0.00	0.17	234	127	127	127	0.00	0.00	0.17	234	127	127	127	0.00
0.18	235	128	128	128	0.00	0.00	0.18	235	128	128	128	0.00	0.00	0.18	235	128	128	128	0.00
0.19	236	129	129	129	0.00	0.00	0.19	236	129	129	129	0.00	0.00	0.19	236	129	129	129	0.00
0.20	237	130	130	130	0.00	0.00	0.20	237	130	130	130	0.00	0.00	0.20	237	130	130	130	0.00
0.21	238	131	131	131	0.00	0.00	0.21	238	131	131	131	0.00	0.00	0.21	238	131	131	131	0.00
0.22	239	132	132	132	0.00	0.00	0.22	239	132	132	132	0.00	0.00	0.22	239	132	132	132	0.00
0.23	240	133	133	133	0.00	0.00	0.23	240	133	133	133	0.00	0.00	0.23	240	133	133	133	0.00
0.24	241	134	134	134	0.00	0.00	0.24	241	134	134	134	0.00	0.00	0.24	241	134	134	134	0.00
0.25	242	135	135	135	0.00	0.00	0.25	242	135	135	135	0.00	0.00	0.25	242	135	135	135	0.00
0.26	243	136	136	136	0.00	0.00	0.26	243	136	136	136	0.00	0.00	0.26	243	136	136	136	0.00
0.27	244	137	137	137	0.00	0.00	0.27	244	137	137	137	0.00	0.00	0.27	244	137	137	137	0.00
0.28	245	138	138	138	0.00	0.00	0.28	245	138	138	138	0.00	0.00	0.28	245	138	138	138	0.00
0.29	246	139	139	139	0.00	0.00	0.29	246	139	139	139	0.00	0.00	0.29	246	139	139	139	0.00
0.30	247	140	140	140	0.00	0.00	0.30	247	140	140	140	0.00	0.00	0.30	247	140	140	140	0.00
0.31	248	141	141	141	0.00	0.00	0.31	248	141	141	141	0.00	0.00	0.31	248	141	141	141	0.00
0.32	249	142	142	142	0.00	0.00	0.32	249	142	142	142	0.00	0.00	0.32	249	142	142	142	0.00
0.33	250	143	143	143	0.00	0.00	0.33	250	143	143	143	0.00	0.00	0.33	250	143	143	143	0.00
0.34	251	144	144	144	0.00	0.00	0.34	251	144	144	144	0.00	0.00	0.34	251	144	144	144	0.00
0.35	252	145	145	145	0.00	0.00	0.35	252	145	145	145	0.00	0.00	0.35	252	145	145	145	0.00
0.36	253	146	146	146	0.00	0.00	0.36	253	146	146	146	0.00	0.00	0.36	253	146	146	146	0.00
0.37	254	147	147	147	0.00	0.00	0.37	254	147	147	147	0.00	0.00	0.37	254	147	147	147	0.00
0.38	255	148	148	148	0.00	0.00	0.38	255	148	148	148	0.00	0.00	0.38	255	148	148	148	0.00
0.39	256	149	149	149	0.00	0.00	0.39	256	149	149	149	0.00	0.00	0.39	256	149	149	149	0.00
0.40	257	150	150	150	0.00	0.00	0.40	257	150	150	150	0.00	0.00	0.40	257	150	150	150	0.00
0.41	258	151	151	151	0.00	0.00	0.41	258	151	151	151	0.00	0.00	0.41	258	151	151	151	0.00
0.42	259	152	152	152	0.00	0.00	0.42	259	152	152	152	0.00	0.00	0.42	259	152	152	152	0.00
0.43	260	153	153	153	0.00	0.00	0.43	260	153	153	153	0.00	0.00	0.43	260	153	153	153	0.00
0.44	261	154	154	154	0.00	0.00	0.44	261	154	154	154	0.00	0.00	0.44	261	154	154	154	0.00
0.45	262	155	155	155	0.00	0.00	0.45	262	155	155	155	0.00	0.00	0.45	262	155	155	155	0.00
0.46	263	156	156	156	0.00	0.00	0.46	263	156	156	156	0.00	0.00	0.46	263	156	156	156	0.00
0.47	264	157	157	157	0.00	0.00	0.47	264	157	157	157	0.00	0.00	0.47	264	157	157	157	0.00
0.48	265	158	158	158	0.00	0.00	0.48	265	158	158	158	0.00	0.00	0.48	265	158	158	158	0.00
0.49	266	159	159	159	0.00	0.00	0.49	266	159	159	159	0.00	0.00	0.49	266	159	159	159	0.00
0.50	267	160	160	160	0.00	0.00	0.50	267	160	160	160	0.00	0.00	0.50	267	160	160	160	0.00
0.51	268	161	161	161	0.00	0.00	0.51	268	161	161	161	0.00	0.00	0.51	268	161	161	161	0.00
0.52	269	162	162	162	0.00	0.00	0.52	269	162	162	162	0.00	0.00	0.52	269	162	162	162	0.00
0.53	270	163	163	163	0.00	0.00	0.53	270	163	163	163	0.00	0.00	0.53	270	163	163	163	0.00
0.54	271	164	164	164	0.00	0.00	0.54	271	164	164	164	0.00	0.00	0.54	271	164	164	164	0.00
0.55	272	165	165	165	0.00	0.00	0.55	272	165	165	165	0.00	0.00	0.55	272	165	165	165	0.00
0.56	273	166	166	166	0.00	0.00	0.56	273	166	166	166	0.00	0.00	0.56	273	166	166	166	0.00
0.57	274	167	167	167	0.00	0.00	0.57	274	167	167	167	0.00	0.00	0.57	274	167	167	167	0.00
0.58	275	168	168	168	0.00	0.00	0.58	275	168	168	168	0.00	0.00	0.58	275	168	168	168	0.00
0.59	276	169	169	169	0.00	0.00	0.59	276	169	169	169	0.00	0.00	0.59	276	169	169	169	0.00
0.60	277	170	170	170	0.00	0.00	0.60	277	170	170	170	0.00	0.00	0.60	277	170	170	170	0.00
0.61	278	171	171	171	0.00	0.00	0.61	278	171	171	171	0.00	0.00	0.61	278	171	171	171	0.00
0.62	279	172	172	172	0.00	0.00	0.62	279	172	172	172	0.00	0.00	0.62	279	172	172	172	0.00
0.63	280	173	173	173	0.00	0.00	0.63	280	173	173	173	0.00	0.00	0.63	280	173	173	173	0.00
0.64	281	174	174	174	0.00	0.00	0.64	281	174	174	174	0.00	0.00	0.64	281	174	174	174	0.00
0.65	282	175	175	175	0.00	0.00	0.65	282	175	175	175	0.00	0.00	0.65	282	175	175	175	0.00
0.66	283	176	176	176	0.00	0.00	0.66	283	176	176	176	0.00	0.00	0.66	283	176	176	176	0.00
0.67	284	177	177	177	0.00	0.00	0.67	284	177	177	177	0.00	0.00	0.67	284	177	177	177	0.00
0.68	285	178	178	178	0.00	0.00	0.68	285	178	178	178	0.00	0.00	0.68	285	178	178	178	0.00
0.69	286	179	179	179	0.00	0.00	0.69	286	179	179	179	0.00	0.00	0.69	286	179	179	179	0.00
0.70	287	180	180	180	0.00	0.00	0.70	287	180	180	180	0.00	0.00	0.70	287	180	180	180	0.00
0.71	288	181	181	181	0.00	0.00	0.71	288	181	181	181	0.00	0.00	0.71	288	181	181		

3:00 pm prices June 11

[illegible]

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER.

AMERICA

Dow rebounds after five days on downtrend

Wall Street

AFTER five consecutive days of declines, share prices bounced back yesterday morning as investors returned to the market in search of bargain buys, writes Patrick Harverton in New York.

By 1 pm the Dow Jones Industrial Average was up 14.96 at 2,990.35. The major indices were also notably firmer, with the broader-based Standard & Poor's 500 up 2.29 at 380.86 at 1 pm, and the Nasdaq composite of over-the-counter stocks up 1.78 at 497.63. Turnover on the New York 38 was 10.1m shares at 1 pm. Risers outpaced decliners by 783 to 584.

Dealers said there were no specific reasons for the rise in share prices. Investors who have stayed away from the market for most of this month because of lower bond prices and fears that the market was overbought, may have decided the time was right to buy equities again. They may have also bought stocks yesterday in anticipation of good economic news later this week, with inflation, retail sales and production data due out tomorrow and Friday.

One of the features of the day was Apple Computer, which dropped 1 1/4% to \$44 1/4 in turnover in excess of 1m shares. The stock went against the trend because of a downgrading from Montgomery Securities. The broker lowered its 1992 earnings estimate and its rating on the stock, citing concern about an inventory build-up, the effect of unfavourable exchange rate movements on income, and fears that business may not recover for another two quarters.

Other secondary computer stocks fared much better, with Microsoft rising 1 1/4% to \$51 1/4. Microsoft was helped by the news that the company has introduced MS-DOS 5, an updated version of its operating system software for personal computers.

Koma, the drugs group, recovered strongly from Mon-

day's sharp decline, rising 3 1/4% to \$27 1/4 on turnover of 1.8m shares. The stock had been sold on Monday because of fears about the outcome of a Food and Drug Administration (FDA) advisory committee review of its XomaZyme CD5 Plus drug. The FDA committee, however, eventually gave a favourable recommendation to the product, used in the treatment of diseases related to bone marrow transplants.

On the Big Board, Procter & Gamble rose 1 1/4% to \$89 1/4 amid reports that the group may be considering selling its food and beverage businesses. The news that LTV Entertainment is considering a link-up with its majority owner, Caroleo Pictures, continued to boost the video distributor, whose shares rose another 1/4% to \$12 1/4. Caroleo moved the other way, slipping 1/4% to \$7 1/4.

Tosco, the petroleum refiner and producer, fell 1/4% to \$22 after an analyst at Shearson Lehman cut his second and third quarter 1991 earnings estimates. The analyst said he was concerned with the weakening of wholesale petrol prices on the West coast and its impact on Tosco's income.

Canada

TORONTO was mixed at midday as cash calls mounted. The composite index rose 2.8 to 3,911.9 in volume of 18.7m shares. The Royal Bank of Canada rose 1/4% to C\$25 1/4 after news that it will issue C\$300m of non-cumulative first preferred shares and C\$250m of fixed rate debentures. The first product manufacturer, MacMillan Bloedel, eased C\$1 to C\$21 1/4 after it said it will issue 7.2m common shares at C\$31 to raise C\$151.2m.

SOUTH AFRICA

GOLD shares gave up early gains to profit-taking as bullion prices stabilised. The all-share index rose to 1,440 before ending steady at 1,418 while the industrial index fell 2 to 3,682. The all-share index rose 13 to 3,261.

Change in rules propels Brazil back into top slot

Victoria Griffith on foreign investors' likely impact

BRAZIL's new rules allowing direct purchases by foreign institutional investors came into effect on Monday. The market took the move in its stride this week, rising 0.5 per cent on Monday and easing 0.1 per cent by mid-session yesterday.

The prospect of foreign capital flowing into Brazilian equity markets has animated the country's indices since the Comissão de Valores Mobiliários (CVM), Brazil's stock market watchdog, announced its intention to loosen restrictions on foreign investment three months ago.

The new rules had their greatest impact in May, as the entry of foreigners became an increasing likelihood. With the market expecting between \$100m and \$500m in outside capital to enter the country during the next 12 months, investors marked up prices 4.7 per cent in dollar terms last month, according to the International Finance Corporation, part of the World Bank. Last month Brazil extended its rise this year to 14.2 per cent, regaining from Argentina its

position as the best performing market in the world.

The new regulations received official approval two weeks ago, along with other rules designed to bring in outside capital. Since Monday, foreigners have been allowed to hold on to Brazilian equity for only 24 hours, compared with a minimum of 90 days under previous regulations. Foreigners are now also exempt from capital gains tax.

The new rules have enhanced the country's appeal and are a sign that the country is welcoming outside investment, says Mr. Alvaro Vidigal, president of Bovespa, the São Paulo stock exchange.

Some traders believe that the reaction has been exaggerated. The impact of the new rules is mostly psychological, according to Mr. Roger Wright, head of the foreign investment fund at Banco de Investimentos Garantia. "In a market which can turn over \$60m a day, an extra \$600m in a day will not make that much difference," he says. "But what the new rules show is that the Brazilian government is now com-

mitted to attracting foreign risk capital. And that's a positive sign."

The entry of more foreign capital could lead to greater stability. "Foreigners will enter the market as long-term holders rather than speculators," predicts a Citibank spokesman, "and that should help reduce volatility."

There may not be a sustained increase in volumes. "Once the foreigners are in, they are likely to hold equity for long periods of time," says Mr. Vidigal. "Therefore, they will not be much help in boosting volumes."

Economic factors also contributed to the rally in Brazilian equity prices in May. The market's pessimism with earnings, the appointment of Mr. Marcello Marques Moreira as economy minister last month.

He has taken a much softer line with Brazilian business than his predecessor, Ms. Zelia Cardoso de Mello. Last week, for instance, Antolima, the group formed by the merger of Ford and Volkswagen in Brazil, won its defence in an anti-trust case brought against it by

IFC EMERGING MARKETS PRICE INDICES

Market	No. of stocks	May 31 1991	% Change over 5 weeks on Dec '90 (Dollar terms)	May 31 1991	% Change over 5 weeks on Dec '90 (Local currency terms)	May 31 1991	% Change over 5 weeks on Dec '90 (Dollar terms)	May 31 1991	% Change over 5 weeks on Dec '90 (Local currency terms)
Latin America	(29)	497.21	+3.3	+80.1	27,325.129	+3.6	+22.7		
Argentina	(67)	98.95	+41.7	+142.1	8,457.118	+51.7	+22.8		
Brazil	(35)	1,190.84	+8.3	+48.5	2,144.44	+10.5	+23.7		
Chile	(20)	287.58	+4.4	-0.2	1,580.84	+14.0	+17.9		
Colombia	(58)	1,168.48	+16.3	+60.5	18,098.00	+16.5	+23.9		
Mexico	(16)	498.55	-8.1	-1.3	3,601.55	-8.0	+7.5		
Venezuela	(77)	293.82	-3.6	-13.5	257.38	-3.7	-12.3		
East Asia	(30)	1,402.78	+9.0	+81.8	1,923.85	+8.8	+24.0		
Philippines	(70)	775.06	-4.8	+20.3	528.11	-4.7	+21.5		
Taiwan, China	(80)	250.55	+4.9	+5.6	477.19	+7.3	+26.8		
South Asia	(88)	61.07	-4.8	-6.5	96.57	-5.3	-3.7		
Indonesia	(82)	154.85	+5.2	+23.0	175.44	+5.8	+24.9		
Malaysia	(43)	339.84	-9.5	+16.3	320.48	-9.7	+17.7		
Thailand	(32)	471.18	-13.9	-11.0	687.00	-13.7	+6.4		
Europe/Middle East	(25)	94.40	-3.8	+4.8	170.52	-1.6	+11.4		
Greece	(30)	450.85	-3.0	-0.2	433.99	-3.2	+8.2		
Jordan	(25)	105.38	-18.1	-41.9	557.63	-15.3	-20.2		
Portugal									
Turkey									

Source: International Finance Corporation. Base date: Dec 31, 1990. 5000 = 100. 1000 = 100. 1000 = 100. 1000 = 100.

LATIN AMERICA continued to produce some of the best emerging market gains last month, while European losses were reduced. After Brazil, Mexico produced the biggest rise, its loss over three months to 44 per cent.

According to the International Finance Corporation, taking its gains in dollar terms over three months to 54 per cent, while Turkey extended its loss over three months to 44 per cent.

Interest from abroad during the next few months. "The privatisation process will attract a new kind of foreign investor such as the international banks," says Mr. Vidigal.

"If all goes well, privatisation and improving economic conditions will sustain price gains until the end of the year," he adds.

EUROPE

Foreign demand helps France climb 1.5% to 1991 high

FT-SE Eurotrack 100 - Jun 11

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1157.17	1158.21	1156.77	1157.43	1157.45	1157.59	1158.36	1159.87
Day's High	1160.80	Day's Low	1156.48				
June 10	June 7	June 6	June 5	June 4	June 3	June 2	June 1
1155.46	1156.31	1160.15	1165.54	1155.53			

Base value 1000 (1989=100)

invigorated the market. The LVMH move is necessary to restore its original holding in the UK company. LVMH gained 1.31% to 3.1 per cent to FF4,350 in volume of 47,560 shares.

Stocks popular with British and other international investors were strong, including Suez, up FF10.30 to FF70.70 on 537,500 shares, and Peugeot, up FF15 to FF31 on 267,200 shares.

FRANKFURT fell back from

early gains of around 2 per cent, but it still registered new 1991 highs. The FAZ index was up 3.29 at 716.55 at mid-session and the DAX closed 10.98 higher at 1,715.80. Volume rose from DM5.4m to DM7m.

Foreigners continued to favour Siemens, up DM6 at DM670.50, while Daimler rose DM7.50 to DM788.50. However, the automotive pace-setters were Volkswagen, up DM7.50 at DM409, as it reported a rise in deliveries of 6.4 per cent for

the first five months, and Continental, the tyre maker, up DM5.50 higher at DM195.

Railways were strong. Karstadt rose DM2 to DM685 as its DVPA earnings more than doubled to DM38.44 for 1990 against outside expectations of DM21 to DM32 early this year.

Flat added 1.19 at the official close to L6.131, and rose to L6.155 after hours.

BRUSSELS edged higher, with the Bel20 index up 2.45 at 1,181.28. Turnover grew to BF7909m from BF7598m. Groupe AL, the insurer, gained BF70 or 3.1 per cent to BF1,985 in active trading before its annual meeting.

Other big price changes occurred in light trading. Glaxo jumped BF1200 or 5.1 per cent to BF4,100 and S.1. Wagon-Lits gained BF390 or 5.8 per cent to BF7,180.

STOCKHOLM fell for the third successive day. The Affärsvärlden General Index

ended 3.9 to 1,125.2 in thin volume of SKr331m, after the previous day's SKr303m.

Volvo free B shares eased SKr1 to SKr352 after Monday's SKr1 gain. The car company unveiled its new model, the 850 GLT with five cylinders and front wheel drive.

OSLO was depressed by Monday's news that Aker and Nora had swung into loss in the first four months of 1991. The all-share index fell 3.82 to 513.34 in turnover worth NKr270m. Aker lost NKr1.50 to NKr77.50 and Nora fell NKr15 to NKr225.

AMSTERDAM was lifted by a firm Wall Street opening at the close of a listless Dutch session. The CBS tendency index closed 0.5 higher at 85.5. ISTANBUL rose 3 per cent after Monday's 1.5 per cent of lower Treasury bill rates. The 75-share index gained 105.52 to 3,650.12.

ASIA PACIFIC

Nikkei rises slightly as volume stays low

Tokyo

SHARES rose marginally on small-lot buying by institutional investors yesterday, but volume stayed low before the June futures expiry, writes Emiko Terazono in Tokyo.

The Nikkei average closed 61.21 higher at 24,663.53, after a low of 24,460.30 and a high of 24,721.27. In spite of bargain-hunting for large-capital issues by insurance companies and investment trusts, volume remained low at 220m shares, up from 200m.

Losses led gains by 460 to 442, with 801 issues added. The Topix index of first-section stocks rose 3.50 to 1,999.71 and, in London, the ISE/Nikkei 50 index rose 1.11 to close at 1411.51.

Trading was quiet ahead of the publication of the Ranken, the Bank of Japan's quarterly business report. The survey said that companies were still confident: the number of companies expressing optimism outstripped the number of pessimists by 36 per cent.

The Tokyo Stock Exchange said the balance of margin buying had fallen for the fourth

week, moving down by Y77.6bn to Y5,872.2bn, reflecting the lack of activity. Ms Benedicte Ivey at Credit Lyonnais Securities said some investors were unable to unload their margin positions because of the low volume.

Nippon Telegraph and Telephone fell Y13,000 to a year's low of Y865,000. Interest rate-sensitive stocks were depressed by the higher yen and lower bonds. Nintendo, the game maker, rose Y800 to Y13,600, and Dai-Dan, an engineering company, climbed Y150 to a record Y4,810.

Roundup

PACIFIC RIM markets were concerned with domestic issues yesterday. AUSTRALIA was lifted by gold, the sector index gaining 65.3, or 6 per cent to 1,143.9 on rising bullion prices. Gold Mines of Kalgoorlie rose 8 cents to 73 cents and Placer Pacific rose 10 cents to 42.45.

The All Ordinaries index added 8.0 to 1,488.0 in turnover of A\$187m, down from A\$338m. Bundaberg Sugar jumped 40 cents to A\$4 after Mr John Kerin, the new government treasurer, cleared the bid from Tate & Lyle. The UK company is offering A\$4.10 a share.

TNT and News Corp were

rose Y90 to Y6,050 and TDK added Y10 to Y5,650. In Osaka, the OSE average fell for the sixth consecutive day, losing 136.86 to 27,440.06. Volume dropped to 18.8m shares from 23.2m. Interest rate-sensitive stocks were depressed by the higher yen and lower bonds. Nintendo, the game maker, rose Y800 to Y13,600, and Dai-Dan, an engineering company, climbed Y150 to a record Y4,810.

NEW ZEALAND fell as the details of the Telecom Corp flotation stole investors' attention. The Barclays index fell 12.10 to 1,436.30.

SINGAPORE rebounded on bargain-hunting after a weak opening. The Straits Times index rose 8.99 to 8,955m, down from 8,970m.

TAIWAN ended mixed in thin trading. The weighted index eased 1.47 to 5,851.16 and volume fell to T\$36.4bn from T\$41.7bn.

ROMANIA reopened after a day's closure to light and heat trading, but the BSE index rose 13.33 to 1,261.64.



Gruppe

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Acquisition
In the first half of 1990, OMV (Canada) Ltd. acquired shares in two oil fields and one gas field in Alberta, OMV (U.K.) Ltd. acquired shares in two fields in the British sector of the North Sea. For the first time in OMV's history, the Group is producing more oil abroad than in Austria.

Financial Situation
The financial situation of OMV Aktiengesellschaft and of the OMV Group as derived from the audited consolidated accounts of the OMV Group for the two years ended 31st December 1990 is summarised below:

OMV Group:

In million AS	1989	1990
Consolidated turnover	58,467	77,869
Balance Sheet total	47,981	63,245
Equity capital	13,541	14,040
Outside capital	34,440	49,205
Investment in tangible fixed assets	3,967	10,047
Depreciation on fixed tangible assets	3,677	4,361
Profit according to ÖVFA	1,557	1,621
Cash flow according to ÖVFA	5,767	7,247

OMV Aktiengesellschaft:

In million AS	1989	1990
Turnover	41,941	49,510
Balance Sheet total	35,933	37,731
Equity capital including untaxed reserves	11,190	11,461
Outside capital	24,737	26,270
Investment in tangible fixed assets	1,294	1,326
Depreciation on fixed tangible assets	2,597	2,200

Österreichische Länderbank
Aktiengesellschaft,
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LONDON EC2M 2PA

June 12th, 1991

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

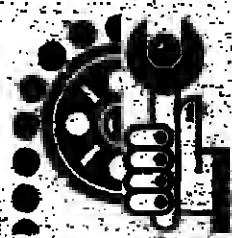
NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 10 1991	FRIDAY JUNE 7 1991	DOLLAR INDEX
Figures in parentheses show number of lines of stock	US Dollar Index	US Dollar Index	US Dollar Index
Australia (70)	134.01	134.01	134.01
Austria (20)	128.22	128.22	128.22
Belgium (49)	130.34	130.34	130.34
Canada (115)	141.76	141.76	141.76
Denmark (37)	209.67	209.67	209.67
Finland (16)	112.75	112.75	112.75
France (116)	134.33	134.33	134.33
Germany (65)	111.81	111.81	111.81
Hong Kong (55)	150.08	150.08	150.08
Ireland (18)	132.72	132.72	132.72
Italy (77)	79.18	79.18	79.18
Japan (474)	130.23	130.23	130.23
Malaysia (68)	235.54	235.54	235.54
Mexico (19)	108.90	108.90	108.90
Netherlands (61)	136.90	136.90	136.90
New Zealand (13)	49.12	49.12	49.12
Norway (82)	198.81	198.81	198.81
Singapore (38)	200.86	200.86	200.86
South Africa (81)	222.51	222.51	222.51
Spain (59)	156.06	156.06	156.06
Sweden (27)	188.22	188.22	188.22
Switzerland (58)	92.36	92.36	92.36
United Kingdom (239)	187.72	187.72	187.72
USA (525)	153.47	153.47	153.47
Europe (838)	137.06	137.06	137.06
Nordic (112)	182.00	182.00	182.00
Pacific Basin (718)	130.85	130.85	130.85
Europe Pacific (1558)	133.84	133.84	133.84
North America (640)	152.64	152.64	152.64
Europe Ex. UK (599)	118.29	118.29	118.29
Pacific Ex. Japan (244)	136.68	136.68	136.68
World Ex. US (1747)	135.34	135.34	135.34
World Ex. UK (2083)	137.83	137.83	137.83
World Ex. So. At. (2211)	139.92	139.92	139.92
World Ex. Japan (1798)	147.19	147.19	147.19
The World Index (2272)	140.44	140.44	140.44

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POWER GENERATION EQUIPMENT

SECTION III

Wednesday June 12 1991



Political changes in eastern Europe offer fresh opportunities and the EC's Single Market reforms may

open up existing markets. The industry must deal with even tighter environmental measures and the debate over the future of nuclear power. **Andrew Baxter reports**

Challenges in a buoyant era

THE world's suppliers of power generating equipment have sustained too many shocks over the past 20 years to become first with over-enthusiasm if prospects improve. But few would deny that the outlook is looking healthier now than at any time in the 1980s.

Participants in the highly cyclical market for turbines, generators, boilers and a wide range of auxiliary equipment are benefiting from a fundamental shift in buying patterns among utilities and industrial customers as consumption of electricity in many key markets catches up with installed capacity.

At the same time, a global trend towards more efficient use of fuel and tighter environmental standards is changing the industry's product mix and fueling interest in retrofitting modern equipment to existing power stations.

On top of that is the intriguing prospect of sales to the former socialist Germany, eastern Europe and the Soviet Union, where the safety of Soviet-designed nuclear power stations has been questioned and the environmental impact of conventional plants, burning brown coal (lignite), has varied

from damaging to devastating. There are challenges ahead, however. In western Europe, cross-border mergers have strengthened suppliers' worldwide competitiveness, but further rationalisation is still likely in manufacturing capacity for the large steam turbines that have become less relevant to western customers' rapidly-changing needs.

The European Community's Single Market reforms promise to open up protected national markets as competition is introduced to the public procurement process, but US suppliers, led by General Electric, complain that they are being excluded - and are demanding a "level-playing field."

UK suppliers, meanwhile, complain that the government's relative parsimony in funding "aid for trade" is hampering their competitiveness in some promising Third World markets. Some await hard evidence that they will be allowed to compete fairly in the reunified Germany.

Another important development is the changing nature of customers in the power supply industry, illustrated most graphically by privatisation in the UK. For equipment suppliers, this injects equal measures of opportunity and uncertainty into their planning as the restructured utilities reassess their traditional buying strategies and shop around for cheaper, more efficient and quicker-to-build plants.

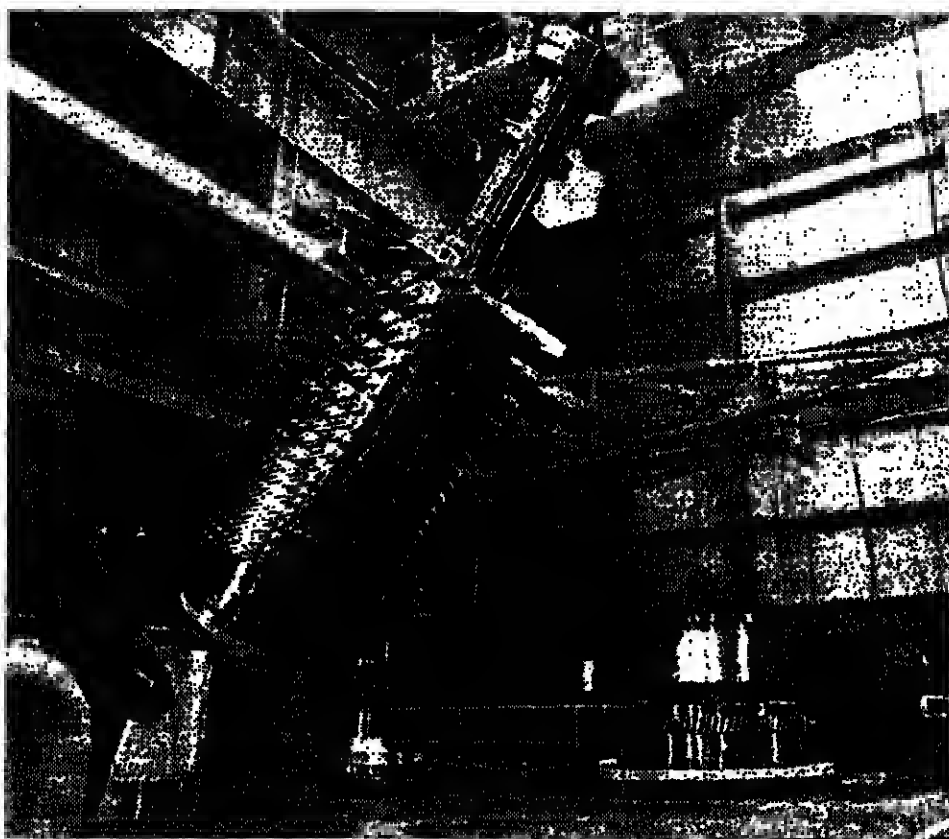
Then there is the biggest uncertainty of all - the future of nuclear power worldwide. Big equipment suppliers such as GE, Asea Brown Boveri and Siemens are continuing to invest in new techniques so that they are ready for any upturn in western markets at the end of the decade or early next century. But the fate of this investment is largely out of their hands.

Despite these challenges it looks as if the normal pattern of the world's power industry - of trailing recessions elsewhere in manufacturing - could be broken in the 1990s.

"It could be that two years from now, when the economies of the world think they are out of a recession, this business will have a low point. But we are not forecasting that we see the growth requirements being strong enough and consistent enough... we see steady growth over the next decade," says Mr David Genserv-Watling, senior vice-president at GE Industrial and Power Systems, the world's biggest gas turbine producer.

There is certainly plenty of room for growth, fuelled by the effects of the recovery. According to UBS, GE and its associates had 35 per cent of this market last year, followed by Mitsubishi Heavy Industries/Westinghouse Electric/FiatAvio with 21 per cent. In third place was ABB and its joint venture with the UK's Northern Engineering Industries (17 per cent), followed by GEC Alsthom's European Gas Turbine Company (10 per cent) and Siemens' KWU with 9 per cent.

Although there are 26 companies competing in the world gas turbine market, the principal suppliers of the technology can be counted on one hand, and ownership of - or access to - the leading edge of gas turbine technology has never been more important.



A General Electric compressor rotor built for the most powerful gas turbine in the world

gas turbine market rose from 6 per cent in 1980 to 28 per cent last year.

Natural gas was long considered too valuable a fuel for use in power generation but now large, reliable gas turbines have been developed which can be linked to steam turbines to produce "combined cycle" power generation - cleaner and more efficient than conventional "open cycle" coal-fired steam turbine generation.

GE is the technology leader in gas turbines, even if European rivals such as ABB claim to have the edge elsewhere. The US company's global reach has protected it from the recent dearth of orders at home. A further advantage has been its ability to feed off the turbine research of its sister GE aero-engine company.

In Europe, interest has focused on progress made by Swiss-Swedish ABB and Anglo-French GEC Alsthom since they were formed in 1988 and 1989. Mr Göran Lundberg, head of ABB's power generation business, highlights the \$1.6bn acquisition in 1989 of Combustion Engineering, the

US boiler group, enabling ABB to offer a total retrofit package and enhancing its effectiveness in export markets. GE, however, has required streamlining and rationalisation.

GEC Alsthom, meanwhile, has taken longer to emerge from its shell since GEC of the UK and Alcatel Alsthom of France merged their power and other heavy engineering activities. After sorting out the inevitable cultural differences, the power business is now firing on all cylinders, taking advantage of product synergies between the two partners and its gas turbine licence agreement with GE.

The four Japanese suppliers, led by Mitsubishi, have carved out an important sphere of influence in the Middle East. But this is not an industry where they have captured technological leadership from the west - Hitachi and Toshiba are GE gas turbine licensees.

To reap the rewards from the opportunities available in the 1990s, the big suppliers will need to keep open as many options as possible. The trend to combined cycle is not universal, and political and resource-use considerations will guarantee coal-fired steam-turbine generation a continued important role in much of the Third World, especially China.

Nowhere is the need for suppliers to stay flexible more marked than in environmental control systems. While there is universal concern about emissions, fashions change rapidly and the extent to which fine words are matched by deeds varies widely from country to country.

"A few years ago people were talking about sulphur dioxide, then nitrogen oxide, and there are more things coming up," says Mr Lundberg. The uncertainty partly explains why the big suppliers are maintaining their competitiveness in nuclear fuel technology - a no-emission method of generating power, albeit still beset by worries over safety of the power generation process and the subsequent reprocessing of waste.

All the opportunities come together in eastern Germany and - with risks too - its former communist neighbours. Siemens and ABB have been particularly active in eastern Germany where cash-rich German utilities plan to spend somewhere between DM20bn and DM40bn before the end of the century on new or replacement plants.

Further east, demand for clean, efficient power plant is enormous, but so are the financing problems and political uncertainty. All the big western companies are trying to cement links with suppliers such as Skoda of Czechoslovakia and Leningrad Metal Works, the well-regarded Soviet steam turbine producer.

The winners will get a ring-side seat at one of the most tantalising of many opportunities now beckoning, and occasionally bewitching, the supply industry. Fortunately, most producers are keeping their heads, predicting a "reasonably buoyant" era ahead after the "perfectly horrible" or even "catastrophic" 1980s.

IN THIS SURVEY

■ **The Middle East:** The swift conclusion to the Gulf war has done much to repair the frayed confidence of the region's business community. This, in turn, has led to a modest recovery in the fortunes of some suppliers Page 2

■ **The UK:** Britain has become the most open market in Europe and the only one where all four of the world's main gas turbine technologies are represented Page 3

■ **Technology:** No dramatic new breakthrough is on the horizon. Industry sources say. Accordingly, worldwide demand will be met with technologies that exist or are in development today

■ **Environment:** Political and economic changes in the past two years have dramatically restated the outlook for sales of equipment to combat pollution from coal-fired power stations Page 4



FGD system on a power station in west Germany

■ **Nuclear power:** The Single Market offers nuclear energy the opportunity to expand Page 5

Editorial Production: Phil Sanders

Bringing Power To Life



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POWER GENERATION 2

Jim Millard reports on the Middle East market after the Gulf war

Modest upturn for suppliers

THE swift conclusion to the Gulf war has done much to repair the frayed confidence of the Middle East's business community. This, in turn, has led to a modest recovery in the fortunes of some power equipment suppliers.

While the number of power plants in the Gulf mushroomed during the oil boom of the 1960s and 1970s, the 1980s were quiet by comparison. With oil prices now stabilised at about \$22 a barrel and looking likely to fall still further, many see the fate of the power supply industry as depending on two factors: first, sufficient political stability to permit economic recovery in war-torn states such as Kuwait, Iraq, Iran and Lebanon; second, the success or failure of a significant private sector in the relatively stable Gulf states.

The more developed states are now looking to reduce their dependence on petrodollars by building up both manufacturing and service industries. The extra growth generated by these activities is starting to provide a fillip to the regional power supply market.

At the heavy end of the generation scale, the oil-rich Gulf states (including a pre-war Kuwait) have been locked in a race to keep their generation capacities abreast of rapidly growing demand forecasts, at a time when many older stations are approaching the end of their design lives.

The absence of any hydro resources, and vast and increasing reserves of oil and gas on their doorsteps, have made cheap, flexible and modular gas turbine units the obvious choice. Conversions and refits have become common as utilities look to boost output and efficiency from existing older thermal plants with gas

turbines "topping" cycles. Newer gas-fired stations have been converted to combined cycle plants through the addition of waste heat boilers and steam turbines.

In Dubai, where electricity consumption is growing at around 10-12 per cent or more annually - more rapidly than anywhere else in the Gulf - the Dubai Electricity Company is keen to give fresh impetus to projects that suffered from uncertainty and high insurance rates during the war.

The Jebel Ali Free Zone and Port in Dubai continues to grow at such a rate that there is speculation that it will soon require a separate and dedicated power supply, despite the commissioning in 1983 of the 400MW Jebel Ali 'G' plant, originally earmarked for construction at Al Mamzar on the Dubai/Sharjah border.

The Dubai Electricity Company recently confirmed a \$850m contract to a European consortium led by Siemens

Kuwait's most modern station, the 2,400MW Al-Zour South plant, survived the conflict relatively unscathed

power plant subsidiary KWU, in the face of competition from both Asea Brown Boveri (ABB) and Mitsubishi-led consortia.

In Kuwait, the mood is less certain. The combination of a dramatic reduction in the population following the exodus of many non-Kuwaitis, and the destruction of much of the country's industry has had a considerable impact on Kuwait's power needs, with inevitable investment casual-

ties. Plans for a 2,400MW gas-fired station at Subiya have been suspended while energies and currency are diverted to more pressing problems.

Ironically, Kuwait's most modern station, the 2,400MW Al-Zour South plant, survived the conflict relatively unscathed and is ready to come on-stream as soon as damaged transmission lines have been repaired. It is estimated that this plant alone could supply up to 75 per cent of Kuwait's power needs.

Although some repairs are required at the Doha East plant, generating facilities at both Doha West and South Shuaiba have been active since April. It is now clear that further government investment in base load power will have to wait until justified by economic growth.

If and when the orders do come, it is by no means certain that the recipient companies will be from Kuwait's main war allies, the US and Britain.

Speculation abounds that the severe contract conditions that discouraged most leading contractors from bidding for Kuwait contracts during the 1980s will be retained, leaving only Japanese companies such as Mitsubishi Heavy Industries, Hitachi, Toshiba, Taisei Corporation and Sasakura Engineering Company to repair and replace what they built in the first place.

This view is reinforced by the likelihood of low bidding and generous financing as the Japanese seek to make amends for their lack of involvement in the allied coalition.

Iraq, on the other hand, needs massive investment in generating capacity, but has little hope of receiving it in the foreseeable future. While damage appraisals vary, Mr Ulf

Bejmar, head of ABB's West and South Asia regional office in Amman, Jordan, estimates that about 70 per cent of Iraqi capacity was destroyed, with a further 20 per cent currently out of action through distribution damage.

With US and European suppliers ruled out politically for the time being (with the possible exception of Swiss-Swedish ABB), only the Soviet Union and Japan have the industrial muscle to build power stations on such a scale. But with the UN demanding a hefty chunk of Iraq's oil revenues for war reparations, and banks worldwide unwilling to provide credit guarantees, neither look likely to take up the challenge in the near future.

Sources at KWU, which has previously built oil-fired plants in Iraq, are more bullish, however, saying that the company expects to win a share of the contracts regardless of the government in power. It is, they say, simply a question of the finance becoming available.

Iraq needs massive investment in generating capacity but has little hope of receiving it

Elsewhere in the region, increased stability has seen a dramatic increase in activity in even the most war-torn of countries such as Iran and, less conspicuously, Lebanon. Improvements in Iran's oil and gas revenues and an end to the nine-year war with Iraq have enabled several projects to be reactivated, including large hydroelectric schemes on the Karun and Arras rivers.

The largest of these, the



Kuwait City power plant: destruction of much of the country's industry had a considerable impact on power needs

3,000MW Karun-3 dam, is likely to be built by a consortium of Constructors Andrade Gutierrez of Brazil and Technopromexport of the Soviet Union, although foreign financing and export credit guarantees for the \$3bn project are still not forthcoming.

Plans for a further 4,800MW of capacity spread over six plants in western Iran have also been drawn up, including a 1,200MW combined cycle plant at Gilan, and a further hydroplant, Karun-4.

Iran's long-standing relationship with the Soviet Union has also given it a chance to develop its nuclear power programme, started in the 1970s but halted in 1980 at the start of the war with Iraq. The Islamic Republic News Agency (IRNA) reported in June last year that the Soviet Union would be building two nuclear plants in Iran as part of a wide-ranging trade agreement.

Mohsen Nourbakhsh, Iran's finance minister, confirmed that one of the plants would be a partly finished station at Bushehr, abandoned by contractors KWU in 1980.

Further north, where hostilities in Beirut appear to have ended there is evidence that local investors are starting to cast their eye over the Lebanese market where shortages, theft and rationing of electricity have restricted use to about six hours daily in the Beirut area.

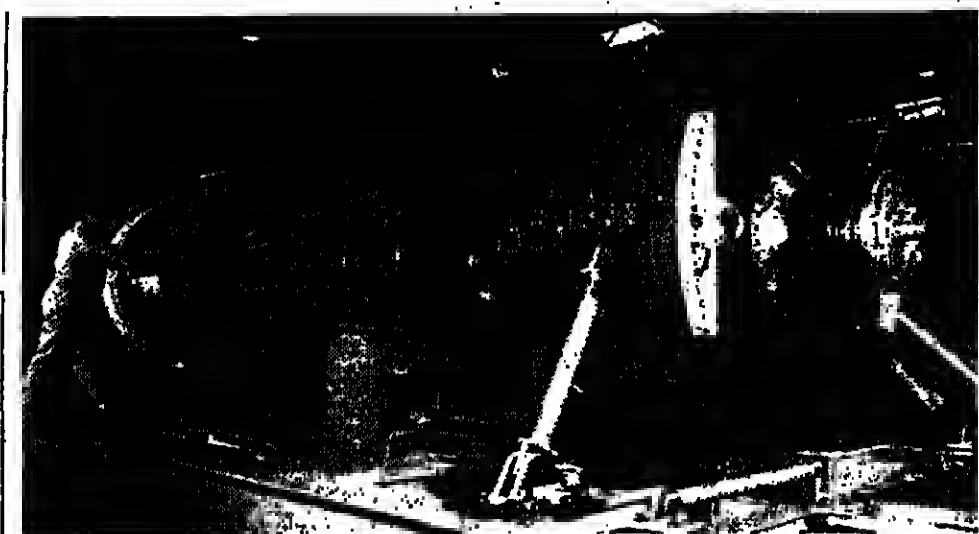
At a recent seminar on power and water shortages sponsored by the American University of Beirut, plans were revealed for the immediate repair of both the Jiyeh and Zouk power stations.

The mood among most manufacturers, especially those of diesel and gas generator sets and other standby power equipment, is now very much one of "wait and see". Much of the need for this type of equipment is based on installations such as hospitals and office blocks, most of which have long since been destroyed.

Mr Ian Dale, chief executive of the Dale Electric Group, a long-time manufacturer and exporter of generator sets worldwide, is optimistic but cautious about prospects in Lebanon.

"Nothing will really happen until the area is totally demilitarised - probably within the next 18 months. Then we shall see signs of local businessmen bringing their capital back from Cyprus."

The author is deputy editor of Middle East Electricity



'Preserving the balance of power in Europe': a 33MW Ruston engine built at Lincoln

PROFILE: GEC Alsthom

Anglo-French venture forms a strong force

IF the Japanese ever assume the technological leadership in power generating equipment that they have achieved in consumer electronics, it will be because mergers such as that between the heavy engineering businesses of GEC and Alsthom have gone badly wrong.

Fortunately for GEC Alsthom's two powerful shareholders, there appears to be little possibility of that happening. The Anglo-French venture has emerged as a strong force in the world power engineering market, buttressed by a broad product range and by the licensing agreement that European Gas Turbines, its 90 per cent-owned subsidiary, has with General Electric of the US.

GE owns the remaining 10 per cent of EGT, cementing a link which goes a long way beyond many of the US company's manufacturing agreements with other companies.

GEC Alsthom was formed largely in anticipation of the Single Market and against a backdrop of growing concern in Europe about the competitiveness of nationally-based heavy engineering concerns. Four of its nine divisions are devoted to power generating equipment and accounted for 44 per cent of the company's Ecu6.55bn (\$7.6bn) of sales in 1989/90.

The formidable power of Japanese manufacturers, in harness with their financial institutions, has often proved too much for western competitors. But Mr Nicholas Salmon, deputy managing director of GEC Alsthom's power plants division, says the formation of groups such as the Anglo-French company and Asea Brown Boveri has been necessary in preserving the balance of power in Europe.

Indirectly, GEC Alsthom is also part of the GE family that produces the world's biggest, hottest and most efficient gas turbines, says Mr Kelvin Bray, chairman and chief executive of EGT.

Given the importance of large, sophisticated gas turbines in modern combined-cycle plants, the relationship with GE is, perhaps, more important to GEC Alsthom than it is to the US company, but it is not a one-way process. EGT is supplying power turbines for GE's aero-derivative range and is working with GE in aircraft gas turbines. GE and EGT also have a transatlantic technology council for

heavy-duty gas turbines, helping each side to issue technology simultaneously.

Rationalisation of European steam turbine capacity was a key factor behind the cross-border mergers of the late 1980s and this sector was the only big area of significant overlap for GEC Alsthom to tackle.

But even there, says Mr Salmon, it was helped by the fact that both constituents had similar steam turbine technology, removing the need to make difficult choices about which technology to drop.

Elsewhere, the fit has been remarkably free of overlaps and the company has emerged with a turnkey contracting capacity and equipment ranging from turbines through boilers to flue gas purification, with nuclear reactors virtually the only omission. No one at

But Mr Salmon believes that, internationally, the overcapacity in steam turbines is likely to continue at a "more acceptable rate" until the end of the 1990s. That is based partly on projections for conventional coal-fired stations which underline their continuing importance in Third World countries.

GEC Alsthom is particularly well-placed in China which is likely to remain a big user of coal-fired stations and represents the company's largest export market for power plant. GEC Alsthom has 330MW of capacity installed or on order in China, due partly to the considerable long-term efforts by its forerunners to open up a difficult market.

Elsewhere, GEC Alsthom was later than its rivals, Siemens and ABB, in making acquisitions in eastern Germany, purchasing two steam generator companies in April. But it has a bigger installed base than its competitors, says Mr Bray, with 21 gas turbines in use in the former East Germany.

And Mr Salmon points out that the German parts of GEC Alsthom's business, such as boiler-maker EVT and Walther with its flue gas treatment systems, have products that are relevant to the eastern German market.

Overall, Mr Salmon is reasonably optimistic about GEC Alsthom's prospects in the power plant business worldwide, and notes that the demand in many western markets for equipment to replace ageing, inefficient power stations provides "an element of inevitability" to balance the industry's inherent cyclicality.

Along with its competitors, GEC Alsthom is keeping its options open to address the diverse needs of customers, especially in environmental control.

In the UK, for example, it has joined British Coal's "topping cycle" project at Grimeby in Yorkshire, a combined-cycle system incorporating sophisticated coal gasification techniques.

The aim of such participation is to ensure that if and when coal regains its popularity as a fuel source in western markets, GEC Alsthom is well placed to take advantage. "We have a view that when coal comes back it will be burnt in a more environmentally friendly way," says Mr Bray.

Andrew Baxter

1891
1991
CENTENARY
BABCOCK

Technology

FOR A NEW CENTURY

In July this year, Babcock Energy celebrates its centenary.

Babcock in Britain began a hundred years ago with a single product: a safe and efficient new design of steam boiler that soon became the chosen power source for industry and power generation around the world. The same dedication to quality and reliability that went into that original Babcock boiler is a primary reason for the company's sustained leadership in this field to the present day.

In fossil-fuelled power generation plant, Babcock Energy is a leader in conventional, clean-coal and alternative fuel technologies, and in environmental protection by emission control. Babcock Energy has world-wide experience in gas turbine combined-cycle power systems, and has the skills, and advanced resources to continue its successful involvement in nuclear power. The quality of Babcock Energy products and systems is underwritten through accreditation to BS 5750. Babcock Energy enters its second century supremely well equipped for continuing and increasing success.

Babcock



Torness AGR nuclear power station

THE UNITED KINGDOM

Trend towards turnkey deals

RECESSIONS may come and go in the power equipment industry, but few markets, if any, have ever undergone the structural upheaval that has occurred over the past two years in the UK.

Privatisation of the electricity supply industry has changed the customer, their priorities and capabilities. UK generating equipment suppliers, which hitherto had the market to themselves, have been forced to dance to new tunes.

The UK has become the most open market in Europe and the only one where all four of the world's main gas turbine technologies are represented. It is also illustrating more strongly than virtually anywhere else the trend towards turnkey contracting rather than piecemeal sales of components.

According to one big equipment supplier: "Pre-privatisation the UK was a components

market with the customer (the C&GB) engineering and multi-purchasing plant to his design and specification. Now the derivatives from the C&GB and all the new people are saying: 'Give me a box.'"

'You can go from signing the contract to turning on the power two years later'

Regional electricity companies and the new independent companies which have never built a power station simply do not have the resources to design one. And while National Power and PowerGen, the direct descendants of the C&GB, still retain these skills, they view themselves as operators, rather than builders, of power stations.

In the second half of the 1980s, rising demand for electricity reduced the reserve margin between capacity and maximum usage, a problem which the C&GB had begun to address by placing design contracts in 1988 for three very large coal-fired stations.

These were doomed before they even got off the drawing board, as privatisation was even then in the offing. Equipment suppliers knew privatised utilities would be unable to take on the commercial risk of plants that took five to seven years to build, or up to 10 years for nuclear plants.

The repercussions of the cancellation of the 900MW coal-fired stations in 1989, the realisation that no more would be built at least before the end of the century - if ever - and the abandonment of the UK nuclear programme are still being felt.

Earlier this year, GEC Alsthom announced it would close its Larne manufacturing operation in County Antrim with the loss of 500 jobs. Larne manufactured heavy equipment for large steam turbines and depended heavily on the UK nuclear programme.

It did not take a genius to work out that the privatised utility industry would want cheaper, more efficient power stations which it could order virtually off the shelf. The decision by the UK government to allow the use of gas for power generation opened the way to the use of gas turbine combined-cycle power stations which meet all these criteria, along with speed of construction. "You can go from signing the contract to turning on the power two years later," says Mr Peter Muschke, general manager of Siemens' power engineering business in the UK.

The fact that much of the UK's generating capacity was coming to the end of its natural 30-40 year life was yet another factor in favour of combined-cycle, because utilities could rapidly replace uneconomic capacity and avoid the difficulties of retrofitting.

Despite Britain's considerable worldwide expertise in turnkey contracting, it was the foreign equipment suppliers

who took advantage most rapidly of the new opportunities. Siemens has been a big beneficiary, picking up a £300m order last year from PowerGen for a 900MW station at Killingholme, South Yorkshire, and a £290m contract this April for a 900MW station at Rye House, Hertfordshire.

Foreign equipment will also power the biggest combined-cycle power station yet announced in the UK, with Mitsubishi using Westinghouse technology, supplying the gas turbines for Barrow's 1,200MW Teesside project, one of the world's largest.

Some UK suppliers did not, at first, seem well positioned for the new market conditions. Northern Engineering Industries lacked access to the large gas turbines of about 160MW capacity needed for combined cycle until its joint venture company with Asea Brown Boveri was formed at the beginning of last year. Last summer the venture won its first big UK contract for National Power's 950MW station at Killingholme.

Anglo-French GEC Alsthom, after some initial disappointments on the major contracts, has recently picked up four medium-sized orders, including a 160MW combined heat and power (CHP) station at Sellafield, and two identical 350MW combined cycle power stations at Corby and Peterborough.

The big UK plant contractor John Brown, which has a gas turbine manufacturing agreement with GEC, has yet to win any UK combined-cycle orders but has hopes of remedying that if Scottish Hydro's Keady project proceeds.

The future for equipment suppliers in the UK market is very difficult to predict, given such factors as gas prices and the difficulties independent generators are finding in putting projects together. But most suppliers believe that, for environmental and efficiency reasons, the vast majority of stations bought for the UK will be combined cycle.

Mr Nicholas Salmon, deputy managing director of GEC Alsthom's power plants division, notes that in 1988 and 1989 experts were forecasting that the UK's combined cycle capacity might be 3,500MW by 1995.

'I think you're a brave man if you put any absolute figures on your extrapolations'

"Already we have seen nearly twice that committed, and the perceived wisdom is that the market is probably more like 12,000MW through the 1990s." He cautions, however, that "it's a new market, there are both gas supply and electricity demand parts of the equation that are not mature, and I think you're a brave man if you put any absolute figures on your extrapolations."

CHP projects on a smaller scale to GEC Alsthom's Sellafield deal are also generating interest, although infrastructural costs are an obstacle to its use for district heating.

A more likely application is for individual factories, where CHP has been in use for decades, and now offices and hospitals. H. Leverton, the Windsor-based Caterpillar dealer, recently won an innovative contract with the Mayday Hospital in Croydon under which the dealer bears the \$400,000 capital cost and sells the heat and power to the hospital, guaranteeing it savings of \$31,000 a year for 10 years.

But there are, as ever, uncertainties. Mr David Andrews, consultant for Leverton, says there is no clear guidance from the Treasury on whether such deals are legal for hospitals. And there is also a broader debate over the rules for companies selling their surplus power to the UK's electricity pool, or spot market.

Andrew Baxter

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POWER GENERATION 4

Political changes have reshaped the sales outlook, writes Maurice Samuelson

The big clean-up is just starting

THE political and economic changes of the past two years have dramatically reshaped the outlook for sales of equipment to combat pollution from coal-fired power stations.

In some countries, where the phenomenon of acid rain first roused public concern in the 1970s, plans to install flue gas desulphurisation (FGD) systems have been buffeted by the economic downturn.

In Britain, an already cautious programme of sulphur scrubbing has been hit by privatisation of the electricity industry.

In western Germany, orders for FGD have dried up for a different reason - most of its coal-fired plants have already been fitted with sulphur scrubbers.

In the rest of Germany and in eastern Europe as a whole, however, the big clean-up is just starting.

The new regimes show a keen interest in drastically reducing the sulphur dioxide (SO₂) and nitrogen oxide (NOx) belching from their power stations and other fossil-fuel burners. Unfortunately, Germany apart, these countries lack the money to match their "green" aspirations.

In Britain, one of Europe's biggest coal consumers, the present FGD programme began in the mid-1980s under the EC rolling programme to cut sulphur pollution drastically by the year 2003.

The Central Electricity Generating Board, which produced nearly all the power in England and Wales, was initially expected to install sulphur scrubbers on some

12,000MW of its capacity, representing the bulk of its base-load coal-fired plant. It also pledged to include FGD at any new coal-fired stations.

This commitment, following many years of thin orders for new conventional power stations in Britain, had been the last straw for the coal industry. Mrs Margaret Thatcher, in her closing months as prime minister, agreed to cut the scrubber programme from 12,000MW of generating capacity to 8,000MW.

This was on the grounds that both these companies would in any case reduce their sulphur output more cost effectively by building "clean" natural gas stations and by burning lower-sulphur imported coal in their remaining coal-fired stations.

More recently, however, uncertainty has arisen as to whether even this 8,000MW of capacity will be retrofitted.

National Power is pressing on with FGD at its 4,000MW station at Drax, North Yorkshire. Under a £400m contract there, Babcock Power is installing a Babcock Hitachi system to trap the sulphur in

powdered limestone and produce a commercially saleable by-product of gypsum for the plasterboard industry.

PowerGen may not as previously expected, match National Power by putting in scrubbers at 4,000MW of its own coal-fired plant.

Work has started on adapting the 2,000MW station at Ratcliffe on Soar near Nottingham. (The scrubbers there went to John Brown Engineering which is using a limestone-gypsum project licensed from GEES of the US.)

PowerGen has also chosen

Installed capacity of FGD systems, end 1990	
Countries	Total (MW)
Austria	1,800
Canada	300
China	700
Czechoslovakia	(300)*
Denmark	1,570
Finland	540
France	800
Germany (west)	41,870
Italy	30
Japan	13,880
Netherlands	2,730
Sweden	1,090
Turkey	1,740
USA	81,730
USSR	45
TOTAL	147,285

*Not in operation. Source: IEA Coal Research, London

John Brown to clean up the 2,000MW station at Ferrybridge in South Yorkshire. Although the Department of Energy apparently assumes this project will go ahead, PowerGen itself is delaying a final decision about a site.

It is hinting that any new sulphur scrubbers might be built instead at one of its oil-fired power stations, such as the Lancashire or Isle of Grain on the Thames, where it plans to burn Orimulsion, the cheap but sulphur-rich tar-derived fuel developed in Venezuela.

In Scotland, however, FGD is being squeezed in rather than the Scottish Power, inheritor of the south of Scotland's fossil-fuel plant, is believed to be under government pressure to install FGD at its 2,400MW station at Longannet on the Firth of Forth.

The Department of Energy apparently believes that coal burners in Scotland should help to meet the national target for sulphur reduction and that not all the onus to do so should rest on the privatised generators south of the border. The economic logic is less impressive, however, since Scottish coal has a significantly lower sulphur content than English varieties.

Meanwhile, combustion and clean-up equipment suppliers

prefer to look abroad. In contrast with the confusion in Britain, Korea and Taiwan are steadily building up their portfolios of coal-fired generating plant. They put FGD on them as a matter of course, while adding new scrubbers to older coal burners.

Korea is expected to build four 1,000MW power stations, all with FGD. There will also be scrubbers on four new 500MW generating sets planned in Taiwan.

The competition is intense. UK power stations are due to reduce NOx output by up to 30% under a £170m plan

A recent Taiwanese order for FGD was awarded to Babcock Canada (owned by American Babcock) in competition with two other US companies, Foster Wheeler and Combustion Engineering, and with Babcock Power of the UK. Babcock Canada's price is said to have been 30 per cent below that of its nearest rival.

An even bigger, although far less tangible, market for scrubbers beckons from eastern Europe which has 80,000MW of coal-fired power stations. According to the International Energy Agency's London-based

Coal Research Department, there is only one FGD plant operating in eastern Europe - a 200MW installation in eastern Germany. The Soviet-supplied system at a Czechoslovak station was, at the end of last year, out of action.

Throughout the area, however, there are grandiose plans. Apart from eastern Germany, where west German industry is expected to retrofit 4,000MW by 1996, they include: Poland: 11,400MW to be fitted by the year 2000; Czechoslovakia: 2,000MW-3,000MW; Hungary: about 1,200MW earmarked for retrofit; Bulgaria: FGD approved at 12 power stations totalling 2,300MW; and Yugoslavia: FGD to go on 600MW of new plant and 1,500MW to be retrofitted.

Nitrogen oxide (NOx), the other acid rain gas emitted by road transport as well as power stations, is much easier for these electricity industries to tackle.

In Britain, where about 40 per cent of NOx comes out of coal-fired power stations and a similar quantity from motor vehicles, power stations are due to reduce their NOx output by up to 30 per cent under a £170m 10-year scheme launched in 1987. It involves redesigning the burner heads in the power station boilers. A similar programme has been

Estimates of future FGD installations until the end of the century (in Gigawatts)			
	New	Retrofit	Total
Bulgaria	-	2.3	2.3
Canada	0.6	2.0	2.6
Czechoslovakia	-	2.5	2.5
Denmark	0.4	0.3	0.7
Finland	0.6	0.4	1.0
Germany (West)	1.0	4.0	5.0
Hungary	-	0.5	0.5
India	6.0	3.3	9.3
Italy	2.2	-	2.2
Japan	-	1.0	1.0
Netherlands	1.2	-	1.2
Poland	-	11.5	11.5
Sweden	-	0.1	0.1
Taiwan	2.1	-	2.1
USA	26.0	50.0	76.0
UK	-	8.0	8.0
Yugoslavia	-	2.1	2.1
TOTAL	40.1	87.5	127.6

*Not included in IEA Coal Research database. Source: IEA Coal Research 1989

launched in eastern Germany but Poland is the only other former communist state to start work.

Dust emissions are also being widely controlled by the use of electrostatic precipitators.

The cost of sulphur reduction, together with that of water purification, is in a different league, however. It has been estimated that it would take 20 years and at least \$200bn to bring east European industry up to western environmental standards. Another estimate puts the cost of a similar clean-up in eastern Germany at DM300bn.

The scale of these costs and the cross-frontier nature of the pollution have led some western countries, notably Germany, the Netherlands and

Sweden, to conclude that investing in pollution control in their backward neighbours is more cost effective than further marginal improvements at home.

This view is strongly advocated among western equipment suppliers. Mr Martin Peters, sales director of Babcock Power, says that the cost of reducing SO₂ emissions by 80-90 per cent is half of that trying to eliminate 99 per cent of SO₂. Instead of striving for the 99 per cent clean-up in its own industries, therefore, an environmentally conscious country such as Sweden should spend its money more effectively by spending the difference on helping to clean up neighbouring countries which cannot afford to do the job at all.

Andrew Baxter examines trends in technology

Plenty of room for new developments

PREDICTING trends in power generation technology is a difficult business - so much depends on factors that are outside the suppliers' influence, and individual markets vary widely in preferences and operating environment.

But the starting point for most forecasts is that, as General Electric of the US puts it, "no dramatic new technology breakthrough is on the horizon." Accordingly, worldwide demand will be met with technologies that exist or are in development today.

Fortunately, this prospect leaves plenty of opportunity for technological development, even if the eventual success of a product in the market might depend as much on fuel price trends as technical expertise. Fuel represents up to one half of the cost of the generated kilowatt-hour, and the relative price of different fuels will dictate future trends, says Mr Patrick Wynne-Jones, director of the Energy Information Centre in the UK.

Later this month, the Power Supply Europe exhibition at Birmingham's National Exhibition will demonstrate the development or adaptation of a wide range of current technologies by the established big names of the industry and many of the smaller players.

The common factors linking many current trends in power generating equipment are efficiency, flexibility and the environmental effect. This is illustrated in everything from combined cycle gas turbines to mini-power stations.

Combined cycle, the exhaust gases from a gas turbine are used to make steam which is used to drive a steam turbine. This, in turn, gener-

ates more electricity and avoids wasting exhaust gas through a chimney stack. Consequently, the thermal efficiency of combined cycle is normally about 50 per cent, compared with 38-39 per cent for large coal-fired plant.

While the wider availability of natural gas in traditional markets has been an important factor in the growth of combined cycle, the development of demand for large gas turbines has been the most crucial technological factor.

Spurred indirectly by the heavy spending in the closely-related aircraft engine field,

'We and other players have had to drive down the thorny road ourselves'

and particularly in turbine blade technology, the thermal efficiency, size and reliability of gas turbines have all been increased, making them the industry's growth technology.

Inevitably, GE has had an enormous inbuilt advantage, given its aero-engine expertise, and Mr Lundberg comments that the US company has benefited from a "free ride" through US government research funding into aero-engines. "We and other players have had to drive down the thorny road ourselves," he says.

But ABB, along with Siemens and Mitsubishi, has also developed a strong presence in large gas turbines, which should really be called combustion turbines - they can operate a wide variety of both gas and liquid fuels.

The gas, too, can come from a variety of sources and coal

gasification, when linked to combined cycle power generation, has gained increasing attention over the past few years. Emissions are significantly lower than for conventional coal-fired plants.

Coal gasification is still in its infancy, however, and a number of companies are working on different approaches.

Given the nature of combined cycle, research efforts have also been directed towards waste recovery steam generators and steam turbines. Boilers, often overlooked despite being of comparable value to turbine generators, are finding a new application as waste recovery steam generators in combined cycle plants, and are an area where environmental concerns are prompting technological change.

One of the most significant trends has been fluidised bed combustion, an innovation which underlines both the flexibility and environmental security that utilities are now seeking. FBC boilers reduce emissions and can burn a wide variety of fuels from coal to municipal solid wastes.

Big producers such as GE emphasise that steam turbine technology is not being ignored. The US company has over recent years introduced several significant improvements in designs and materials to improve the thermal efficiency of steam turbines.

Despite the greater efficiency of combined-cycle compared with open-cycle power plants, it still lags behind the 80-90 per cent thermal efficiency claimed for combined heat and power (CHP), which uses the inherent waste heat from conventional steam sets - or much smaller spark-ignited engines - to provide water or space heating for hospitals, offices, factories or even districts.

Proponents of CHP often argue that it renders conventional central power stations obsolete. Although technologically simple, the high cost of infrastructure for heating has been a discouraging factor for investment in CHP, even if the cost of entry can often be low.

Availability of natural gas has been a big factor in the growth of CHP, which began in the 1970s and has, for example, accounts for 30 per cent of its power needs by mini power stations based on CHP and could reach 40 per cent by the end of the century.

Caterpillar, better known as the world's biggest construction equipment group, has installed 400 mini-power stations in the US and several thousand in the Netherlands, and has benefited from its extensive dealer network.

Centrax, a Devon-based turbine generating set producer, has sold 25 sets into Netherlands.

Caterpillar is also leading the way in using landfill gas - the methane-hydrogen gas which can build up on household waste tips - as fuel for a spark-ignited Cat engine.

In April, Japanese motor group Mazda announced a 2MW facility for its new Hofu car plant near Hiroshima. The unit has two special features - a facility for storing unused energy as hot water under very high pressure, and a system making use of thermal energy released when the boiler's steam, after powering the turbines, recondenses into liquid.

ALONE among the big European producers of generating equipment, Siemens of Germany has been insulated from the wave of cross-border takeovers in the late 1980s - and gives the clear impression that its independence will remain uncompromised.

"There is a German saying that the most powerful is strongest alone," says Mr Heinrich von Pierer, head of KWI, Siemens' power generation business. "I don't think it is necessary to merge with another company."

But KWI has not been standing still. To do so would have been suicidal for a company that, 10 years ago, derived more than 70 per cent of its business from nuclear work. That has now declined to about 25 per cent, due as much to KWI's efforts as to the dearth of nuclear reactor orders virtually worldwide.

In fact, one of Siemens' current strengths is its full spectrum of power technologies. Along with Framatome of France, with which it co-operates on nuclear plant building in export markets and - more recently - domestically, it is probably the world's biggest supplier of generating equipment for nuclear stations.

In large gas turbines, it is the world's second biggest player after General Electric of the US. Last year it had 9 per cent of the world gas turbine market as a whole, according to IBS Securities in New York. It is also in the top five for hydro-electric equipment and steam turbines, and considers itself the highest player in power instrumentation and control equipment.

The SPIN power plant data base says Siemens has figured

PROFILE: Siemens

No compromise over independent stand



Von Pierer: 'I don't think it is necessary to merge'

consistently since 1955 among the top three exporters of turbine generators and has lifted the percentage of production taken by foreign markets from less than 50 per cent to 60 per cent since 1985.

Mr von Pierer attributes KWI's success partly to a willingness to offer turnkey contracts in many countries. The strong export profile also leaves KWI well-placed to benefit from the expected liberalisation of public procurement in the post-1992 European Community.

The most graphic illustration of these factors has come in the past 18 months in the UK. Helped by its research and development in advanced gas turbines, Siemens has won two big contracts from PowerGen, each worth about £300m, as the domestic suppliers' monopoly was broken.

KWI was formed in 1969 when Siemens and AEG combined thermal power businesses. Siemens later took over AEG's stake and reabsorbed KWI in 1987. KWI made good profits until the end of the 1980s from its core nuclear business, but last year nuclear contracts came mainly from servicing their own plant and replacement equipment for plants built by other companies.

KWI's nuclear fortunes reached a low point two years ago when the German utilities abandoned the Wackersdorf reprocessing plant in eastern Bavaria. KWI, says Mr von Pierer, was in a difficult position for six months, but has since recovered its momentum.

In the intervening period a number of events have helped restore KWI's fortunes and Mr von Pierer expects total orders to reach about DM8bn in the year to September, against DM6.5bn in 1989/90. German reunification has opened up a new domestic

market and Mr von Pierer is confident that KWI will benefit heavily from the DM20bn-DM30bn expected to be spent before the end of the century to replace or modernise the east's old lignite-fired plants.

Siemens, one of the biggest western investors in eastern Germany since unity, has bought a turbine factory in Goerlitz and expects to have more than 2,000 eastern employees in power engineering by the end of this year.

Siemens has been talking to Skoda Plzen, the Czechoslovakian engineering group, about co-operation across a range of activities, and Framatome will be involved if there are any agreements on nuclear co-operation.

Further east, KWI and Finnish partners pulled off a coup last month by winning a FM700m deal to supply the Soviet Union with its first combined cycle plant, at Leningrad. This was Siemens' first conventional plant order in the Soviet Union.

Mr von Pierer says demand for new equipment in eastern Europe is enormous, and points out that Siemens is benefitting from its long history of activity there. Even so, he believes financing will remain a limit on the industry's growth in eastern Europe.

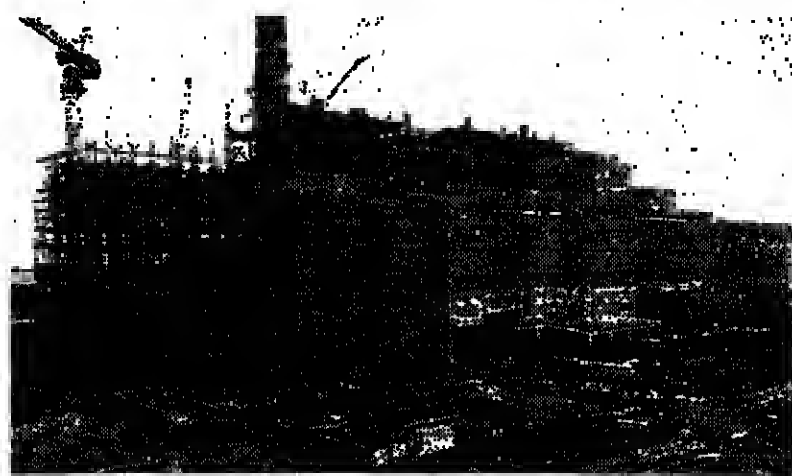
Overall, Mr von Pierer expects KWI to exceed the industry's average growth rates over the next few years. He is encouraged by the growing demand for increased generating capacity among developing countries and by the expected 130,000MW-150,000MW of new or replacement capacity in the US over the next decade. KWI is relatively well off for a foreign supplier by having manufacturing in the US, a legacy of its takeover of Allis-Chalmers turbines in the 1970s.

KWI has been careful to encompass the technological trends caused by "green" concerns. In coal gasification it is supplying the turbines for a demonstration plant at Bugenum in the Netherlands which uses gas from hard coal, and one in Germany firing gas from lignite.

KWI, in tandem with the Munich utility Bayernwerk, has also carved out a 25 per cent world market share in the production of photovoltaic cells, following the purchase last year from Atlantic Richfield of what is now called Siemens Solar Industries. "This is not a very big market at the moment, but it's an investment for the future," says Mr von Pierer.

All these developments give the KWI chief cause to be optimistic for prospects over the next five years, even if the nuclear business proper has not recovered by then. Mr von Pierer believes that this will happen in the second half of the 1990s, and emphasises the importance for KWI of maintaining the ability to be a turnkey supplier.

Andrew Baxter



An anthracite-fired power station under construction in Yue Yang, China

PROFILE: Babcock Energy

Buoyant outlook on centenary year

ting FGD to existing coal-fired stations, as the old Central Electricity Generating Board had intended.

To maintain its momentum in FGD, BE is examining alternative processes to the conventional wet limestone gypsum process, which produces large quantities of gypsum as a by-product. It is working with Bechtel of the US on a regenerative seawater washing process, using magnesium in the seawater to remove sulphur dioxide, which Mr Prosser believes has significant potential.

The other important trend for BE has been the increasing popularity of combined cycle plant, especially in the UK. For BE the development has been double-edged: the consequential cancellation of large coal-fired stations has hit the potential domestic market for BE's larger boilers badly, while the waste heat steam generators (WHSGs) it supplies instead for combined cycle are smaller and more widely produced.

On the other hand, combined cycle

plants are much smaller than conventional coal-fired open cycle stations, so more WHSGs are needed. And as combined cycle plants get bigger and more sophisticated, so will the WHSGs, which should play to BE's strengths.

Last June, BE won the first of what it hopes will be many contracts linked to combined cycle - a \$35m deal to supply four WHSGs for the 900MW station being supplied by Siemens for PowerGen at Killingholme, South Yorkshire.

There is, however, uncertainty over future power station building in the UK, and Mr Prosser stresses that "we have not been holding our breath for the UK market for a long time because we would never have survived."

The Drax contract has cut exports' share of total sales from 40 per cent in 1985 to about 30 per cent, but the export total is expected to recover over the next few years to 40 per cent, with an eventual target of 70-80 per cent.

Achieving that will depend on two

factors - BE's ability to exploit the opportunities for which it is best suited, and to maintain links with more broadly-based equipment suppliers which can supply turnkey power stations.

Mr Prosser is a paid-up member of the "coal will be back" tendency, and points out that, in much of the Third World, it never really disappeared. China, in particular, is seen as a market where coal will remain king, and thus present BE with significant opportunities, such as its current boiler supply order for the Yue Yang project.

The Middle East provided last year's biggest disappointment for Babcock with the cancellation of the £160m Al Anbar oil/gas fired boiler contract in Iraq, but with the Gulf War over BE sees plenty of opportunities, albeit taking time to come to fruition.

Eastern Europe looks like being self-sufficient in boilers, but Mr Prosser sees potential for Babcock's FGD plant and, especially, cheaper environmental products such as low NOx (nitrogen oxide) burners. He hopes the European Bank for Reconstruction and Development could help finance contracts which do not bring commercial gains but improve the environment.

A flexible approach to the companies BE works with has also been increasingly necessary. For many years, says Mr Prosser, Babcock tended to ride on the coat-tails of GEC, but with GEC's Alstom tendency to use its own Stein boilers, BE has had to look elsewhere.

Siemens, which does not have an in-house boiler-maker, is one source of business, but BE is also working with Asa Brown Boveri, despite the latter's purchase of Combustion Engineering, the big US boiler-maker.

BE's competitive position has, in any case, benefited from heavy rationalisation at Babcock's Renfrew manufacturing plant over recent years, and the pruning of senior management undertaken during the short spell in the late 1980s when Babcock was owned by ICI, the UK electrical group.

But Mr Prosser tempers his optimism about business prospects, and BE's ability to benefit from them, with a note of concern about UK government backing for the industry. In particular, he worries about the shortage of "aid for trade" funds - often a prerequisite for winning big Third World contracts.

Andrew Baxter

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POWER GENERATION 5

There are many factors against open trade, writes Andrew Baxter

Politically sensitive sector



Governments regard power as a strategic industry: Guangdong nuclear station, China

WITH the exception of defence equipment and, perhaps, aerospace, the world market for power generating equipment probably ranks as the most politically sensitive capital goods sector - and seems likely to remain so, whatever steps are taken to liberalise trade.

Over the past 30 years, sporadic attempts have been made to curb protectionism in the trade of turbine generators, but structural obstacles have normally proved insurmountable.

In the handful of countries which have local suppliers, the majority of orders are still placed domestically.

A recent book* by Sussex University's Science Policy Research Unit suggests a number of reasons why this is the case.

Utilities build up long-term relationships with local suppliers, often customising equipment design to their own requirements, which makes them less likely to place orders with other suppliers.

For internationally traded plant there are many other factors militating against open competition. Suppliers have worked hard at building "spheres of influence" in different regions of the world, exploiting both the utilities' wish for continuity and the customer country's fear of disturbing broader political and economic links.

Anti-competitive behaviour, including cartelisation, bribery and political pressure, has also been a concern for proponents of free trade.

The SPRU study notes that "the very lumpy nature of sales makes it a market where successful bribes, even in millions of dollars, can bring handsome returns."

Mr David Giesecke-Walling, senior vice-president of GE Industrial and Power Systems, notes that the US Foreign Corrupt Practices Act bans facilitating payments or bribes.

"Most of our competitors do not have that constraint. That's an issue in many parts of the world, as obviously we obey US law."

Governments have also played their part in impeding progress towards free trade.

Single Market reforms have handed the initiative back to the EC Commission

The heavy electrical industry's role as a supplier to the electrical supply industry and its contributions to national engineering infrastructure have led most governments to regard it as a strategically important industry which is to be developed and maintained.

However, the SPRU notes that "the mechanisms by which governments have supported the industry have not always been the traditional ones of high tariff barriers and subsidies. The result though not always the intention, has been that the industry has been largely protected."

"Procurement policies have encouraged purchases from national suppliers and standard systems have been designed by and for national suppliers and customers."

"Both these factors act as barriers to entry for foreign suppliers."

The main focus for this debate over recent years has been the European Community. Since 1965, only 8 per cent of power plant commissioned within the EC has been supplied through intra-EC trade, and 12 per cent from non-EC suppliers, according to the SPRU.

For different reasons, both the European Commission and the US have wanted to open up the market to competitive bidding for contracts - the US, because it has perennially complained of being denied access, and the Commission because it wants to encourage a much-needed rationalisation within

Europe's heavy engineering sector.

Over the past decade national governments have continued to keep the energy sector out of the Commission's directives, but the Single Market reforms have handed the initiative back to the Commission.

The Commission's Utilities Directive, which comes into force at the beginning of 1993, will bring practically every utility for contracts under new rules that throw public procurement open to competitive bidding.

"Public", in this case, means public supply rather than public ownership, so non-state owned utilities are also covered, unless they are involved purely in industrial cogeneration.

A key issue in contract specification, technical standards, about the bureaucracy and enabling potential suppliers to obtain enough information to meet the customers' requirements.

Although there has been some grumbling from European suppliers and utilities about the bureaucracy and increased costs of a more open public bidding process, the changes are broadly welcomed by the big European suppliers.

The cross-border mergers of the late 1980s have put companies such as Asea Brown Boveri and GEC Alsthom in a good position to take advantage of the changes, due in no small measure to their spread of manufacturing within the EC.

Nevertheless, the pace of change is expected to be variable, with France and Italy bringing up the rear.

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The big problem area, however, is access to the post-1992 market for non-EC suppliers, and particularly for the two big US turbine producers, General Electric and Westinghouse.

Mr Kyle Pitsor, manager of international affairs at the US National Electrical Manufacturers' Association, says US manufacturers have been "nearly exclusively closed out of the European market due to the close relationship of utilities and national champions."

Mr Pitsor is worried that the directive formalises what had hitherto been a matter of custom and practice.

There are two specific problems - procurement entities will be able to reject a bid with less than 50 per cent European content, and can also prefer European bids so long as they are no more than 3 per cent less than the best bid from a third country.

The US is now working to achieve agreement with the EC on amending the offending Article 29 of the Directive, which lobbyists for the US suppliers say is a clear violation of the General Agreement on Tariffs and Trade (GATT).

Although there are some hopes that the problem can be sorted out this year, US suppliers are determined not to "play" for exclusion from the amendment.

There is also concern about the EC's planned "remedies directive" as applied to utilities

contracts. With the cost of bidding often as much as \$1m, US suppliers want to ensure they can find out why they lost out.

Clouding the issue is a disagreement over competition in the US market.

Some estimates suggest imports have accounted for just 10 per cent of US demand, but GE says penetration is much higher in some sectors, such as steam turbines, and that the market is wide open.

The EC interprets the facts differently, maintaining that the US market is closed in many respects.

Curiously, though, there are few complaints from the big European suppliers about access to the US, and Mr Pitsor points out that foreign companies have often been uninterested in bidding to supply many of the smaller US utilities.

The European issue remains the major trade controversy in the industry, when viewed from the US.

GE, at least, is much happier about its access to the Japanese market. Mr Giesecke-Walling points out proudly that Tokyo Electric Power is its biggest customer.

"The World Market for Heavy Electrical Equipment," by Steve Thomas and Francis McGowan. Nuclear Engineering International Special Publications, Quadrant House, Sutton, Surrey, SM3 6AS, UK. £25.

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Frank Gray examines regional requirements

Asia's sizeable target

Installed capacity/population in selected Asian countries		
Country	Population (m)	Capacity (MW)
Bangladesh	107	2,027
China	1,070	110,000
Hong Kong	5.6	7,550
India	800	61,000
Indonesia	179	9,238
Malaysia	17.4	5,200
Nepal	19	270
Pakistan	100	7,500
Philippines	61.6	6,000
Singapore	2.7	3,640
South Korea	43.5	21,000
Taiwan	19	17,000
Thailand	55.8	7,154
Vietnam	70.4	2,200

Source: Power in Asia

tractors, with GEC Alsthom supplying the turbines. Indeed, through GEC's partnership two years ago with Alsthom of France, Britain and France now have a formidable force in the Asian power generating market.

French aid was instrumental in helping French companies win \$1.5bn in power equipment supply contracts to Asia in the 30-month period ending in July 1990. Key companies involved were the Alsthom half of the GEC partnership, Steln Industrie, Merlin Gerin, Sulzer Diesel and Sile-Beltrac.

However, it is clear that as much as two-thirds of the finance for Asian power projects will have to come from conventional finance.

This challenge alone is prompting major privatisation programmes affecting many power utilities being undertaken throughout the region. Apart from Japan, Hong Kong, Macau and just four of India's 18 regional utilities, virtually all of Asia's power utilities are state-owned. With few exceptions, they are poorly run.

An example of this is in Pakistan, where the Islamabad government and a consortium of UK, US, French, Italian and Japanese interests last month concluded a deal for the supply of a 1,200MW coal-fired power station to Pakistan's Water and Power Development Authority. The build-own-operate (BOO) deal, the first arranged by the World Bank, will cost \$1.3bn over four years. The consortium will be headed by Bechtel and Cimentation as prime con-

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Leslie Collitt on prospects in eastern Europe

Bridgeheads in place

EXPECTATIONS of dynamic markets in east Germany, eastern Europe and the Soviet Union have driven western producers to negotiate a series of joint ventures and take-overs in the region.

The major western power engineering companies have established bridgeheads of varying size in east Germany, Poland, Hungary and the Soviet Union, and are negotiating for a presence in Czechoslovakia.

Annual sales of electric power equipment in eastern Europe are expected to total more than \$4.4bn by the end of this year, and could double if foreign exchange barriers can be broken down, according to a study by Frost & Sullivan.

It forecasts that Czechoslovakia will record the sharpest growth, with sales of electric power generation and transmission equipment reaching \$87m this year and \$120m by 1995. Sales in Bulgaria and Romania this year are expected to reach \$40m and \$90m respectively, and to increase to \$90m and \$450m in 1995, says the report. In Poland, the largest market, sales this year are expected to reach \$1.7bn and to rise to \$2.1bn in five years.

New thermal power stations are to be built in east Germany and existing, highly-nuclearised power stations provided with anti-pollution equipment.

Frans de Ruiter, Managing Director of UNA, extends the beauty of art to an environment of high technology.



Frans de Ruiter's turbine is a work of art.

Frans de Ruiter is the Managing Director of UNA, the Dutch electrical power utility supplying the Noord Holland – Utrecht – Amsterdam area.

He has a tough assignment. UNA serves one of the most densely populated regions of the most densely populated country in the world. To help it do so, UNA has completed the installation of the two largest, most efficient gas turbines operational in the world today. Each generates 140 megawatts of electricity at efficiency levels well in excess of any comparable facility.

"We have made full use of ABB's most advanced technology to meet demanding targets," says Mr. de Ruiter. "At the same time, we have been able to satisfy Holland's strict environmental controls."

Not only are UNA's plants exceptionally "clean" – UNA has just won a prestigious international award for its environmental achievements – but the company's efforts to landscape the surroundings of its power plants have also won praise with local communities. At the Utrecht power station, Mr. de Ruiter's environmental efforts have gone one step further. He has turned the interior of the plant into a giant gallery, and one of his new turbines itself into a work of art. "Why not?" he asks. "Our employees deserve a stimulating work environment. And we are proud of having the world's most modern."

A hundred years of expertise in

- Power Generation, Transmission and Distribution
- Industrial Automation • Transportation
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makes ABB the world leader in electrical engineering.

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